Annual Report 08

JPMorgan Japanese Investment Trust plc

Annual Report & Accounts for the year ended 30th September 2008

JPMorgan Asset Management

Features

Contents

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%.
- To invest no more than 15% of its gross assets in other listed companies (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

The Company has an authorised share capital of 444,800,000 ordinary shares of 25p each, of which 174,001,919 were in issue as at 30th September 2008.

Management Company

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

Financial Results

Total Return (capital plus income)

–31.2%
Return to shareholders[1]
(2007: –15.7%)

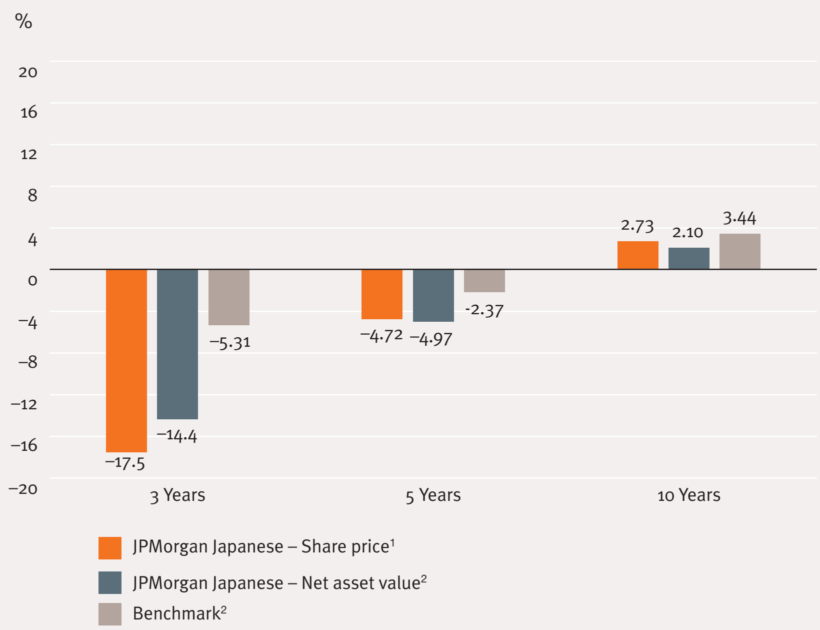
–29.3%
Return on net assets[2]
(2007: –11.4%)

–15.2%
Benchmark Return[2]
(2007: –4.5%)

2.8p
Dividend
(2007: 2.8p)

Long Term Performance (Annualised)

for periods ended 30th September 2008



A glossary of terms and definitions is provided on page 54.

[1]Source: Standard & Poor's – www.funds.morningstar.com

[2]Source: Fundamental Data Ltd. – www.funddata.com. The Company's benchmark is The Tokyo Stock Exchange 1st Section Index (TOPIX) in sterling terms.

Chairman's Statement

Investment Performance

The difficulties experienced in the first half of the Company's financial year proved to be merely the prelude to the full blown global financial crisis which has unfolded in the second half. Over the year to 30th September 2008 your Company saw a decline in net assets of 29.3%, underperforming our benchmark, the TOPIX Index, which fell 15.2%. The return to shareholders was a fall of 31.2%, as the discount on the Company's shares widened from 12.2% to 15.1% at the end of the financial year.

Revenue and Dividends

Net revenue after taxation for the year was £5,180,000 (2007: £5,436,000) and earnings per share were 2.97p (2007: 2.96p). Having indicated a final dividend slightly in excess of 2.0p per share in my interim statement, I am pleased to report an improvement in the Company's revenue position sufficient to maintain last year's level of dividend. To that end, the Board proposes, subject to shareholders' approval at the AGM, to pay a final dividend of 2.80p per share (2007: 2.80p). The dividend would be payable on 19th December 2008 to shareholders on the register at the close of business on 21st November 2008.
I would again stress that dividend streams from Japan remain unpredictable and depend to a considerable degree on the construction of the portfolio at any given time. I would emphasise, therefore, that this year's payment 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. As at the date of this report, the Company was ungeared, the level having ranged between 97% and 112% during the year.

Investment Manager

The Company's objective is to provide shareholders with capital growth from a portfolio of investments in Japanese companies. In my report last year I outlined the review that had been undertaken of the management arrangements for your company with JPMorgan Asset Management (UK) Limited following a number of years of underperformance against our benchmark. As a result of this review the day-to-day management of the portfolio was moved from London to Tokyo with effect from 1st December 2007. As you will have seen from my earlier comments, the underperformance against the benchmark has continued during the last financial year and your Board remains concerned that we have not, to date, seen more satisfactory results from the transfer of responsibility to Tokyo. However, we have noted that, since the transfer, the performance of the majority of the actively managed investment trusts investing in Japan which are listed on the London Stock Exchange has been similarly poor over this period of very high volatility in the Tokyo market, whilst it is still a relatively short period during which the Tokyo office has been responsible for the portfolio.

However your Board remains acutely aware that underperformance of the scale seen in recent years is unacceptable to shareholders. Once stability has returned to stock markets and a reasonable period has elapsed following the change in management arrangements, the Board will not hesitate to instigate a further review of these aspects of your Company's operations. From our discussions with the team at JPMorgan in Tokyo, we are certain they are aware of the dissatisfaction felt by both the Board and Shareholders.

Board of Directors

During the year, the Board carried out an evaluation of the Directors, the Chairman, the Board's operations and its Committees. Three Directors are seeking re-election at this year's Annual General Meeting. The Directors retiring by rotation are Alan Barber and David Pearson, who being eligible offers themselves 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. Both Alan, in his role as Chairman of the Audit Committee, and David have proved invaluable in the Board's deliberations and I have no hesitation in recommending their re-election.

VAT

In 2004, JPMorgan Claverhouse Investment Trust and the AIC made a joint application for the payment of investment trust management fees to be exempt from VAT. In November 2007 the case was found in their favour and since then your Company not been charged VAT on its management fees. Whilst the Company is able to seek reimbursement of some of the VAT it has paid in the past, in your Company's case, this will not represent a material amount as the Company, in the past, has already recovered the vast majority of the VAT it has been charged on its management fee. During the course of this year progress has been made in this regard and negotiations with JPMorgan Asset Management are in an advanced stage. Whilst we are not intending to accrue for any prospective recovery in these accounts, it is our expectation that we will recover in the region of £348,000. Once there is certainty on this issue, the Company will make a further announcement accordingly.

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 1.5% of the Company's issued share capital (2,702,000 shares) for cancellation during the year, adding 0.2% 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 18th December 2008 at 2.00 p.m. in JPMorgan's offices at 60 Victoria Embankment, London EC4Y 0JP. As in previous years, in addition to the formal part of the meeting, there will be a presentation from the Investment Managers who will answer questions on the portfolio and performance. There will also be an opportunity to meet the Board, the Investment Managers and representatives of JPMorgan 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 use their proxy votes.

Prospects

With the extreme volatility that is being seen in global equities, it is hard to discern trends in Japan at present. Equally, with the world-wide slowdown in economic growth and world trade, it is right to be cautious about the immediate future. This caution is currently reflected in the conservative approach to gearing being taken by the Manager, with gearing being maintained in a 0-5% range for the time being. At the time of writing the portfolio, on an invested basis, is ungeared. Looking beyond the immediate crisis, however, Japan's proximity to, and increasing trade with, the still growing Asian economies will continue to provide opportunities for many Japanese companies.

Jeremy Paulson-Ellis
Chairman

14 November 2008

Investment Managers' Report

James Elliot

Nicholas Weindling

Over the course of the Company's financial year, the Tokyo Stock Exchange First Section ("TOPIX") Index declined 31.5% in Yen terms, 15.2% in Sterling terms. Japan has not been immune to the turmoil in equity markets caused by the seizure of credit markets and, in the absence of substantial change in the domestic economic outlook, it continues to be seen by many investors as a cyclical rather than a structural investment. It is disappointing for all those involved in investing in Japan that having been heavily criticised for their conservative approach to capital allocation and balance sheet gearing, the share prices of Japanese companies have been afforded little credit when credit markets have collapsed and too much leverage in the West has led to considerable distress. The recent strength of the yen should be seen as validation of Japan's relative strength in these areas: over 50% of household financial assets in Japan are held in cash, loan to deposit ratios for Japanese banks are very low by international standards and over 50% of Japanese companies trading on the TOPIX Index have net cash on their balance sheets. Whilst fear continues to hold sway in global markets the yen is likely to continue to be seen as a safe haven, particularly against Sterling and the Euro, where it seems probable that interest rate differentials will collapse in the coming months as the Bank of England and European Central Bank cut rates in recognition of deepening recession and the associated fall in inflation data.

In Sterling terms the Company's NAV declined 29.3% over the year. The underperformance of the NAV relative to TOPIX has primarily been a function of our policy of investing in quality companies with leading global business franchises and historically strong track records in generating high returns on equity and returns above the cost of capital. Concerns over the effect that de-leveraging and tighter credit markets will have on global growth has seen these types of stocks de-rated savagely. At the same time, the market has rewarded stocks that entered the period trading on low price to book multiples. That these companies have historically traded on low price to book multiples is a function of them having demonstrably failed to consistently generate returns above their cost of capital and many will fail to do so in the future. Historically our approach has been to identify growth at a reasonable price and we remain committed to doing so going forward. The valuation spread of "defensive" issues relative to "growth" issues now stands at historical highs: in terms of the spreads in price to earnings multiples we are now in new territory.

Fear abounds, and that will remain the case for the coming months. On a three year view the risk reward unequivocally lies with continued faith in Japan's best business franchises with sustainable long-term growth prospects, many of which reside in the export sector. In the next cycle growth will go hand in hand with exposure to the Asian region as a whole and in this respect Japan's leading businesses are well placed to participate strongly. The temptation to abandon investment discipline and seek short term safe havens is often overwhelming in the current climate of fear, but to do so now risks investment in over-priced, low quality franchises that will underperform significantly when credit markets thaw and the global economic outlook stabilises. We remain committed to investing in high quality businesses with genuine growth prospects. In the export sector, facing as it does an uncertain earnings environment in coming months, we have a clear preference for those companies that have historically demonstrated an ability to grow through the cycle and those that have built strong balance sheets to weather this downturn. Domestically, our recent purchases of companies in the mobile telecommunications sector reflects both the health of their balance sheets and a belief that a greater commitment to improving margins and profitability at the expense of chasing new customers is currently driving higher returns on investment for the industry as a whole.

In the light of market falls and the politics that has characterised the last 18 months, in which we have seen three prime ministers succeed the much

Performance attribution for the year to 30th September 2008

Contributions to Total Returns		%
Benchmark total return		**–15.2**
Allocation effect	–9.0	
Stock selection	–4.2	
Gearing/cash	–0.8	
Currency effect	—	
Investment Manager contribution		**–14.0**
Portfolio total return		**–29.2**
Management fees/ other expenses	–0.7	
Share repurchases	0.2	
Residual*	0.4	
Other effects		**–0.1**
Net asset value total return		**–29.3**
Impact of increase in discount		–1.5
Share price total return		**–31.2**

Source: Xamin/JPMAM, Fundamental Data.
All figures are on a total return basis.

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

* The Residual arises principally from timing differences in the treatment of income flows. The Xamin attribution system accounts for income on a received (on the ex-dividend date) basis whereas Fundamental Data calculates the Company's NAV Total Return using the actual dividend(s) paid by the Company (on the ex-dividend date).

A glossary of terms and definitions is provided on page 54.

admired Junichiro Koizumi, it is tempting to conclude that Japan has once again failed to emerge from the malaise of the long downturn post the boom that peaked in the early 1990s. Certainly, the lack of political leadership and a clear domestic economic agenda has been a disappointment, but it should not cloud the very real structural reforms that began with the re-capitalisation of the banking sector ten years ago. Japan has managed to wean itself off an addiction to public-works projects which are down from 6.3% of GDP in 1996 to 3%, in line with global averages. With the Japanese financial system in a position of relative strength, if domestic demand remains relatively stable (as has been the case for some time) Japan can avoid the hard landing that will be endured by many Western economies. From a corporate point of view the good news is that Japanese companies are in aggregate better placed to cope with a downturn than was the case in 2000-2.

The changes being implemented at a company level are real: dividends in aggregate have increased from Yen 3 trillion in 2002 to Yen 8 trillion forecast for this year. Share buy-backs will top Yen 5 trillion this year. The number of companies in the TOPIX 500 Index that have introduced specific shareholder return targets has increased from 112 in 2005 to 205 in May 2008. In this regard, the domestic Pension Fund Association's 8% ROE target continues to exert pressure on companies to allocate capital more efficiently.

The dividend yield on TOPIX currently stands at 2.5%, the same as the US equity market. Dividend pay-out ratios in Japan have further room to rise: for the first time since the 1970s they stand at the same level as the US, a 40% discount to Europe. The healthy balance sheet positions that many Japanese companies enjoy at this stage of the cycle allow room for maintaining these dividends even in a weaker earnings environment in the next twelve months. This is less likely to prove to be the case in Western markets. The relevance of the growth in dividends and the fact that for the first time in living memory the yield on TOPIX stands at a sensible level should not be underestimated. Retirees in Japan need income. They have spent the last ten years chasing this in overseas equities and more latterly higher yielding currencies and emerging market debt products. Japanese life insurance companies hold twice as much overseas equity exposure as domestic equity exposure and the percentage of money invested in foreign assets by Japanese Investment Trusts has increased from Yen 1.8 trillion in 2000 (10% of total assets) to Yen 21 trillion (45% of total assets) now. What looked like a reasonable risk in the context of low returns on Japanese deposits and a weak Yen, no longer looks like a one way bet. Many of those currencies that offered higher interest rates, such as the Australian and New Zealand dollars (particular favourites of Japanese retail investors), have declined by 30% against the Yen in recent months. With the yield on Japanese equities now at sensible levels, the pre-requisite for a shift in asset allocation preferences is in place. It is important, therefore, that Japanese companies demonstrate a commitment to maintain dividends even as the earnings environment weakens if domestic Japanese equities are to benefit from a shift in investment preferences.

Largely as a result of the reforms of 1998 to 2005, corporate Japan does not now have the three big excesses (labour, capacity, debt) that it had during the last two major market downturns in 1997-98 and 2001-03. As a result, cash rich Japanese corporates are in a better position to re-invest in a timely manner to benefit from the next growth cycle. They will be doing so in an environment in which the competition from private equity, as a result of the de-leveraging process, will be considerably more benign. Japanese banks are able to finance this investment, unlike Western banks and their corporate partners. Japanese corporates can maintain investment, especially in next generation technology development when many global competitors, particularly in the West, will be financially constrained.

Investment Managers' Report continued

Companies like Honda and Toyota, currently trading on historically low price to book, price to earnings and dividend yield multiples, will have the chance to increase market share in developed markets and invest further in their already established positions in Asian markets, which will benefit from a new generation of customers. US consumers will buy smaller and more fuel efficient cars in the coming years, and they will buy them predominantly from Japanese manufacturers. The Japanese auto manufacturers have seen aggregate market share in the US increase from 25% to 45% in the last 6 years. Their equity income from China has grown tenfold in the last 8 years and they now derive 35% of their income from Asia and other developing economies.

Japan has global leading companies in a range of industries. Bridgestone is global number one in the oligopolistic tyre industry (17% share). Canon is global number one in copiers and cameras (one of only two companies in single-lens reflex cameras). Shin-Etsu is global number one in 300mm semiconductor wafers and PVC (40% and 10% shares). Nintendo is one of just three manufacturers of games consoles. There are many other such examples and many of these companies trade at unprecedented levels. Furthermore, these three companies have immensely strong balance sheets, with 20% of their market capitalization in the form of net cash and investments. It is here that the long-term opportunity for Japan lies.

Japan's proximity and integration with Asia, which will remain the world's most dynamic economic region for some time to come, offers huge long term opportunities. It is a multi-year growth story. The perception of Japan's export sector remains that it is little more than a warrant on US economic growth. Whilst de-leveraging in the US means that the US is in for an extended period of sub-par growth, the prospects for Japan going forward are actually very good. Asia itself is now Asia's biggest trading partner. Asia now accounts for more than 50% of Japan's exports and the ratio of Japan's Asian exports relative to US exports is now more than 300%. Asian infrastructure spending will continue for decades: many Japanese companies will benefit from this, as they will from the growth of Asian consumers. Although Asia is in the midst of a slow-down in growth, by most measures it is far better equipped to weather a slow down than in previous cycles. In China in particular, the fiscal position is very strong: China currently enjoys a fiscal surplus; the government have in the past run fiscal deficits as high as 2.5%. The Chinese government shifted its fiscal and monetary stance in July and it has the capacity for considerable further monetary and fiscal stimulus.

Valuations in Japan are compelling in terms of price to book and price to earnings multiples. 80% of TOPIX now trades on a price to book ratio of less than 1x. 80% of TOPIX companies have dividend yields in excess of 10yr JGB yields and the spread of the dividend yield for the market as a whole relative to JGBs is at levels only before seen at the troughs in 1998 and 2003. As well as being geographically blessed by its proximity to the world's fastest growing region, the current financial health of many Japanese companies leaves them ideally placed to invest and cement their leading competitive positions in the current environment. Although it is difficult to be certain of anything at the moment, one thing is clear: once the economic clouds lift we will not have the opportunity to buy leading global companies at current record low valuations again.

James Elliot
Nicholas Weindling
Investment Managers

14 November 2008

Summary of Results

	2008	2007	
Total Returns for the year ended 30th September			
Return to shareholders[1]	–31.2%	–15.7%	
Return on net assets[2]	–29.3%	–11.4%	
Benchmark return[2]	–15.2%	–4.5%	
Net Asset Value, Share Price and Discount at 30th September			% change
Shareholders' funds (£'000)	298,093	431,770	–31.0
Net asset value per share	171.3p	244.3p	–29.9
Share price	145.5p	214.5p	–32.2
Discount of share price to net asset value	15.1%	12.2%	
Exchange rate	£1 = ¥189.2	£1 = ¥234.3	
Shares in issue	174,001,919	180,234,919	
Revenue for the year ended 30th September			
Gross revenue return (£'000)	7,160	7,068	1.3
Net revenue available to shareholders (£'000)	5,180	5,436	–4.7
Return per share	2.97p	2.96p	0.3
Dividend per share	2.80p	2.80p	—
Actual Gearing Factor	108%	112%	
Total Expense Ratio ('TER')	0.79%	0.75%	

A glossary of terms and definitions is provided on page 54.

[1]Source: Standard & Poor's – www.funds.morningstar.com

[2]Source: Fundamental Data – www.funddata.com. The Company's benchmark is The Tokyo Stock Exchange 1st Section Index (TOPIX) in sterling terms.

Performance

JPMorgan Japanese – Share price

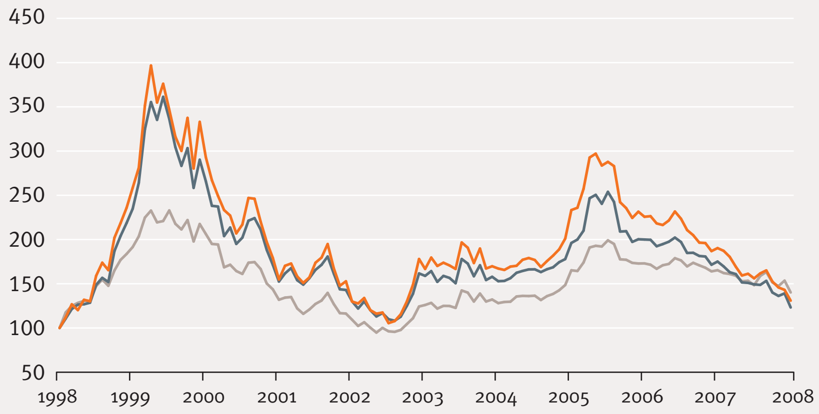
JPMorgan Japanese – Net asset value

Benchmark

Source: Standard & Poor's – www.funds.morningstar.com/ Fundamental Data – www.funddata.com/Datastream.

Ten Year Performance

Figures have been rebased to 100 as at 30th September 1998



JPMorgan Japanese – Share price

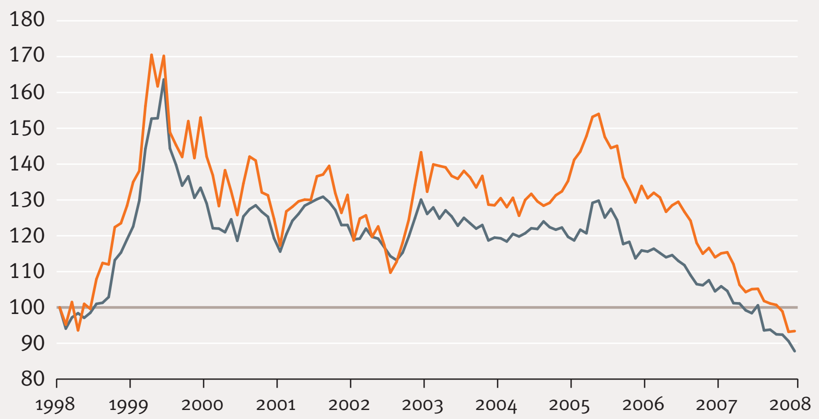
JPMorgan Japanese – Net asset value

The benchmark index is represented by the grey horizontal line.

Source: Standard & Poor's – www.funds.morningstar.com/ Fundamental Data – www.funddata.com/Datastream.

Performance Relative to Benchmark Index

Figures have been rebased to 100 as at 30th September 1998



Ten Year Financial Record

As at 30th September	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Shareholders' funds (£'m)	271.0	636.5	721.1	413.5	338.4	408.6	393.1	504.3	511.7	431.8	298.1
Net asset value per share (p)	138.4	325.0	368.2	211.1	180.2	219.9	211.6	271.4	275.8	244.3	171.3
Share price (p)	112.8	291.5	330.5	174.5	146.5	188.0	188.5	263.0	254.5	214.5	145.5
Discount (%)	18.5	10.3	10.2	17.3	18.7	14.5	10.9	3.1	7.7	12.2	15.1
Actual gearing (%)	104.8	120.8	121.0	119.7	106.7	112.2	106.8	113.8	112.5	112.3	108.0
Yen exchange rate (=£1)	231.3	175.3	159.8	175.1	191.5	185.6	199.4	200.5	220.5	234.3	189.2
Year ended 30th September											
Revenue attributable to shareholders (£'000)	2,817	3,391	4,861	4,632	3,601	4,274	5,272	6,537	8,450	7,068	7,160
Earnings per share (p)	(1.59)	(1.29)	(2.23)	(1.95)	(0.82)	1.19	2.06	2.75	3.60	2.96	2.97
Dividend per share (p)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	2.80	2.80
Total expense ratio ('TER') (%)	0.76	0.64	0.77	0.77	0.83	0.66	0.83	0.73	0.78	0.75	0.79
Rebased to 100 at 30th September 1998											
Share price total return[1]	100.0	258.5	293.1	154.8	129.9	166.7	167.2	233.3	225.7	190.3	130.9
Net asset value total return[2]	100.0	234.8	266.0	152.5	130.2	158.9	152.9	196.1	200.0	174.2	123.2
Benchmark [2]	100.0	191.5	206.3	131.9	109.4	126.0	128.1	165.2	173.0	165.3	140.2

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[1]Source: Standard & Poor's – www.funds.morningstar.com

[2]Source: Fundamental Data Ltd. – www.funddata.com. The Company's benchmark is The Tokyo Stock Exchange 1st Section Index (TOPIX) in sterling terms.

Ten Largest Investments

at 30th September 2008

Company	Sector	As at 30th September 2008 Valuation £'000	%[1]	As at 30th September 2007 Valuation £'000	%[1]
Mitsubishi UFJ Financial[2] Holding company established through the merger of Mitsubishi Tokyo Financial Group and UFJ Holdings. The company provides a variety of financial and investment services.	Banks	17,545	5.9	6,689	1.5
NTT Docomo[2] Japan's premier mobile communications company.	Communication	16,381	5.5	—	—
Nippon Tel & Tel[2] Provides a variety of telecommunication services.	Communication	16,164	5.4	—	—
Honda Motor[2] Develops, manufactures and distributes motorcycles, automobiles and power products.	Transportation Equipment	14,204	4.8	4,161	1.0
Toyota Motor Parent company of the world's largest auto manufacturing group.	Transportation Equipment	12,600	4.2	21,509	5.0
Sumitomo Mitsui Financial Holding company established by Sumitomo Mitsui Banking corporation. The Group provides commercial banking and a variety of financial services.	Banks	12,311	4.1	10,316	2.4
Japan Tobacco Global Tobacco company incorporating Gallaher (UK).	Foods	10,816	3.6	10,131	2.3
Nintendo Game console and software creator.	Other Products	9,782	3.3	10,098	2.3
Canon[2] Develops, manufactures and sells a wide range of copying machines, printers, cameras and optical products.	Electric Appliances	9,334	3.1	1,362	0.3
Shin-Etsu Chemical[2] Tokyo based chemical company.	Chemicals	8,814	3.0	7,774	1.8
Total		127,951	42.9		

[1] Based on total assets less current liabilities of £298.1m (2007: £431.8m).
[2] Not included in the ten largest investments at 30th September 2007.

As at 30th September 2007, the value of the ten largest investments amounted to £114.0m representing 26.4% of total assets less current liabilities.

Sector Analysis

	30th September 2008				30th September 2007			
		Portfolio %		Benchmark %		Portfolio %		Benchmark %
Processing		53.0		42.0		49.8		44.2
Communication	14.4		5.7		1.5		4.8	
Transportation Equipment	10.7		9.2		13.9		9.6	
Wholesale	9.4		4.1		10.8		5.3	
Electric Appliances	9.2		13.1		12.2		14.3	
Machinery	5.4		4.0		8.4		4.9	
Other Products	3.0		2.9		2.7		2.5	
Services	0.9		1.6		0.3		1.3	
Precision Instruments	—		1.4		—		1.5	
Financial		15.3		16.4		6.7		14.7
Basic		13.9		14.5		21.4		17.3
Consumer		10.4		13.4		8.6		11.7
Other Consumer	6.4		8.6		7.0		7.5	
Retail Trade	4.0		3.6		0.4		3.0	
Other Financing Business	—		1.2		1.2		1.2	
Assets		7.4		8.7		13.5		8.2
Other Assets	7.4		6.2		5.0		5.1	
Real Estate	—		2.5		8.5		3.1	
Utilities		—		5.0		—		3.9
		100.0		100.0		100.0		100.0

Based on the total portfolio investments of £321.9m (2007: £485.1m).

List of Investments

at 30th September 2008

Company	Valuation £'000
Processing	
Communication	
NTT Docomo	16,381
Nippon Tel & Tel	16,164
KDDI	6,290
Capcom	3,290
Net One Systems	1,702
NSD	1,526
Hitachi Information	1,022
	46,375
Transportation Equipment	
Honda Motor	14,204
Toyota Motor	12,600
Shimano	3,073
Nissin Kogyo	2,872
Daihatsu Motor	1,462
Suzuki Motor	288
	34,499
Wholesale	
Mitsubishi	8,326
Mitsui & Co	5,763
Itochu	5,749
Sumitomo Corporation	3,658
Toho Pharmaceutical	2,905
JFE Shoji	2,104
Marubeni	1,679
	30,184
Electric Appliances	
Canon	9,334
Seiko Epson	8,276
Hosiden	3,966
Nihon Kohden	2,451
Panasonic	2,124
Murata Manufacturing	1,680
Ushio	990
Foster Electric	735
	29,556
Machinery	
Hitachi Construction Machinery	6,624
Sankyo	6,462
Glory	2,082
Komatsu	1,363
Teikoku Piston Ring	758
	17,289
Other Products	
Nintendo	9,782
	9,782

Company	Valuation £'000
Services	
Mosimoshi Hotline	2,825
	2,825
Total Processing	**170,510**
Financial	
Banks	
Mitsubishi UFJ	17,545
Sumitomo Mitsui Financial	12,311
Mizuho Financial	8,668
Bank of Kyoto	2,159
	40,683
Insurance	
Sony Financial Holdings	8,459
	8,459
Total Financial	**49,142**
Basic	
Chemicals	
Shin-etsu Chemical	8,814
Mandom	2,471
	11,285
Iron and Steel	
Yamato Kogyo	6,107
Nippon Steel	4,197
	10,304
Mining	
Inpex	7,189
	7,189
Marine Transportation	
Mitsui O.S.K. Lines	6,218
	6,218
Glass & Ceramic	
Nippon Electric Glass	3,031
Taiheivo Cement	2,062
	5,093
Rubber Products	
Bridgestone	4,518
	4,518
Total Basic	**44,607**

Company	Valuation £'000
Consumer	
Retail Trade	
Joshin Denki	4,549
Shimachu	3,241
Doutor Nichires	1,518
Daiei	1,370
Maruetsu	1,181
Matsumotokiyoshi	1,180
	13,039
Foods	
Japan Tobacco	10,816
	10,816
Pharmaceuticals	
Tsumura	4,033
Daiichi Sankyo	3,602
Hisamitsu Pharmaceutical	2,154
	9,789
Total Consumer	**33,644**
Assets	
Land Transportation	
East Japan Railway	7,697
Hitachi Transport System	6,688
	14,385
Construction	
Kinden	5,195
Kyowa Exeo	1,477
Sanki Engineering	1,464
Chudenko	1,458
	9,594
Total Assets	**23,979**
Total Portfolio	**£321,882**

Board of Directors

Jeremy Paulson-Ellis (Chairman)
A Director since 1996.

Chairman of Genesis Investment Management LLP, a specialist institutional investment manager. Prior to this 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 February 2006.

Currently Executive Chairman of the Management Consultancy Plc and a Director and Audit Committee Chairman of Western & Oriental Plc, Invesco English & International Trust plc and Witan Pacific Investment Trust 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 Société Générale Asset Management UK and Brunner Investment Trust plc and a Director of Standard Life Equity Income Trust plc, Henderson Smaller Companies Investment Trust plc and SGAM (SA), the Board responsible for SGAM worldwide.

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 2008.

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 for the year ended 30th September 2007. 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 842 of the Income and Corporation Taxes Act 1988 each year.

Approval for the year ended 30th September 2007 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 266 of the Companies Act 1985. 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 ('TOPIX') in sterling terms, and a rising share price by taking controlled risks through an investment method that is clearly communicated to shareholders.

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 2008: 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 2008: None).
- The Company's gearing policy is to operate within a range of 95% to 115% invested in normal market conditions. (30th September 2008: 108%).
- The Company does not normally enter into derivative transactions and to do so requires prior Board approval. (30th September 2008: 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 2008: 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 2008: largest individual investment 5.9%).

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 to 30th September 2008, the Company saw a decline in net assets of 29.3%, under-performing the benchmark index which fell 15.2%. The return to shareholders was a fall of 31.2%. As at 30th September 2008, the value of the Company's investment portfolio was £321.9m. 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 loss for the year amounted to £119.8m (2007: loss of £56.0m) and net total loss after deducting interest, management expenses, and taxation amounted to £123.5m (2007: loss of £60.7m). Distributable income for the year amounted to £5.2m (2007: £5.4m). The directors have declared a dividend of 2.8p per share (2007: 2.8p). This dividend will absorb £4.9m and the revenue reserve after allowing for the dividend will amount to £0.8m.

Directors' Report continued

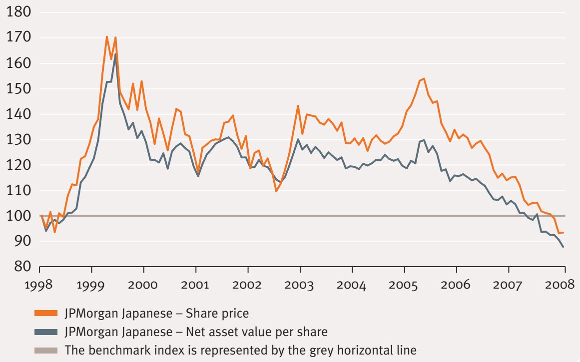
Key Performance Indicators ('KPIs')

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 index**
  This is the most important KPI by which performance is judged.

Performance Relative to Benchmark Index

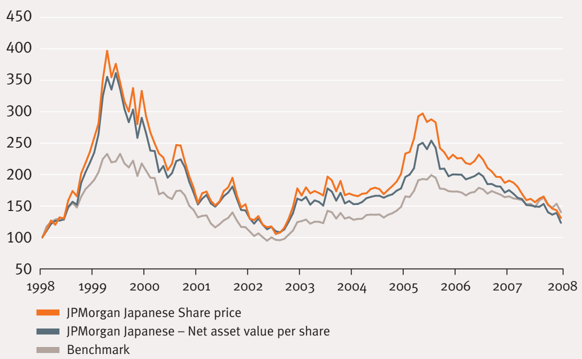
Figures have been rebased to 100 as at 30th September 1998



Source: Standard & Poor's – www.funds.morningstar.com/Fundamental Data Ltd/Datastream

Ten Year Performance

Figures have been rebased to 100 as at 30th September 1998



Source: Standard & Poors – www.funds.morningstar.com/Fundamental Data Ltd/Datastream

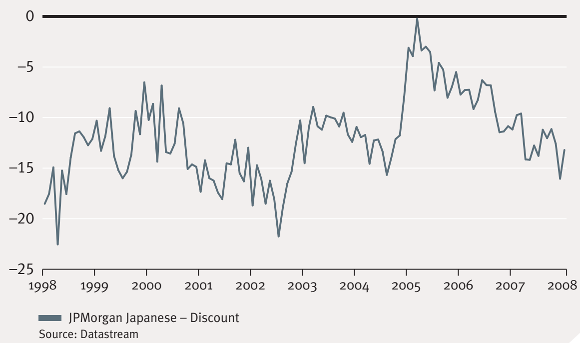
- **Performance against the Company's peers**
  The principal objective is to achieve capital growth relative to the benchmark. However, the Board also monitors the performance relative to a broad range of competitor funds.

- **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 2008 are given in the Investment Manager's Report on page 5.

- **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 2008, the shares traded between a discount of 0.8% and 23.7%.

Discount Movement



Source: Datastream

- **Total expense ratio ('TER')**
  The TER is the Company's management fees and all other operating expenses excluding interest,expressed as a percentage of the average of the opening and closing net assets. The TER for the year ended 30th September 2008 was 0.79% (2007: 0.75%). 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 2,702,000 ordinary shares for cancellation, representing 1.53% of the Company's issued share capital at the beginning of the financial year, for a consideration of £5,291,000. Since the end of the financial year, the Company has repurchased 208,000 ordinary shares for cancellation for a consideration of £279,000.

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 per share (2007: 2.8p) payable on 19th December 2008 to holders on the register at the close of business on 21st November 2008.

Principal Risks

With the assistance of the Manager, 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 employ 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 842 of the Income and Corporation Taxes Act 1988 ('Section 842'). Details of the Company's approval are given under 'Business of the Company' above. Should the Company breach Section 842, 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 842 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 1985 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Act 1985 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 842. The Board relies on the services of its Company Secretary, JPMAM, and its professional advisers to ensure compliance with The Companies Act 1985 and The UKLA 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 21 to 24.

- 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 23.

- Financial: The financial risks faced by the Company are disclosed in note 20 on pages 40 to 44.

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.

Directors' Report continued

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 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 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	First £465 million under management	£465 million to £930 million under management	Over £930 million under management
Fee level	0.65%	0.485%	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 consider that the Company has adequate resources, an appropriate financial structure and suitable arrangements in place to continue in operational existence for the foreseeable future. For this reason, they 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 2008, the Company had no outstanding trade creditors (2007: 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 2008	1st October 2007 or at date of appointment
Alan Barber	5,300	5,300
Andrew Fleming	1,500	1,500
Jeremy Paulson-Ellis	1,500	1,500
David Pearson	1,693	1,693
Keith Percy	1,500	1,500

No changes in the above holdings have been notified by any Director between the year end and the date of this report.

In accordance with the Company's Articles of Association the Directors retiring by rotation at the forthcoming Annual General Meeting will be Alan Barber and David Pearson. 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:

(a) 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

(b) 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 S234 ZA of the Companies Act 1985.

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 11 to the Notice of AGM on page 50.

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	13,894,610	7.99
1607 Capital Partners	9,455,615	5.44
Tattersall Advisory Group	7,871,526	4.53
JPMorgan Chase & Co	7,386,531	4.25
Legal & General	7,275,580	4.19
Puddle Dock Nominees	6,087,792	3.50
KBC Peel Hunt	5,030,000	2.89

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 Acts 1985 and 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 8 and 9)

The Directors will seek renewal of the authority at the Annual General Meeting to issue up to 8,689,695 new ordinary shares for cash up to an aggregate nominal amount of £2,172,423 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 pages 48 and 49.

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 10)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2007 Annual General Meeting, will expire on 19th June 2009 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.

Directors' Report continued

The full text of the resolution is set out in the Notice of Meeting on pages 48 and 49. Repurchases will be made at the discretion 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.

(iii) Adoption of new Articles of Association (Resolution 11)

The Company proposes to adopt new articles of association. These incorporate amendments to the current articles of association to reflect the provisions of the Companies Act 2006 (the '2006 Act') and otherwise generally update the Articles of Association for current law, regulation and market practice. The 2006 Act came, or will come, into effect in 2007, 2008 and 2009. As the 2006 Act will not be fully in force until October 2009, it is not yet possible to fully reflect the 2006 Act changes and it is expected that shareholders will be asked to approve further changes to the Articles of Association at the 2009 Annual General Meeting.

The principal changes brought about by the new Articles of Association proposed to be adopted at the forthcoming Annual General Meeting relate to electronic communication with shareholders, shareholder meetings and resolutions, directors' indemnities, transfers of shares and directors' conflicts of interest. For a more detailed explanation of these and other amendments please refer to the Appendix on pages 51 to 53.

A copy of the current Articles of Association and the proposed new Articles of Association will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the offices of JPMorgan Asset Management (UK) Limited, Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ from the date of this report up until the close of the AGM. Copies will also be available at The Library, 60 Victoria Embankment, London EC2Y 0JP, being the place of the Annual General Meeting, for 15 minutes prior to, and during, the meeting.

Recommendation

The Board considers that resolutions 1 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 11,493 shares representing approximately 0.01% of the voting rights of the Company.

By order of the Board
AK Norman, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
14 November 2008

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 26, 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 four 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.

Corporate Governance continued

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination and Remuneration Committee Meetings Attended
Alan Barber	4	2	1
Andrew Fleming	4	2	1
Jeremy Paulson-Ellis	4	2	1
David Pearson	4	2	1
Keith Percy	4	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 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 46.

The Company's Annual Report and Accounts are 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 Secretary at the address shown on page 46.

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 46.

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 2008, 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 statement on corporate governance and voting policy which has been noted by the Board. The full policy is available from JPMAM on request, or can be downloaded from the internet as follows: go

Corporate Governance continued

to www.jpmorganassetmanagement.co.uk/institutional and within the 'Commentary and Analysis' tab you will find a section on Corporate Governance.

'JPMAM is committed to delivering superior investment performance to its clients worldwide. We believe that one of the drivers of investment performance is an assessment of the corporate governance principles and practices of the companies in which we invest our clients' assets and we expect those companies to demonstrate high standards of governance in the management of their business.

Proxy voting is an important part of the corporate governance process, and we view seriously our obligation to manage the voting rights of the shares entrusted to us as we 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.

In order to do this we have formulated detailed guidelines for each region, which set out our stance on a variety of key corporate governance issues, including disclosure and transparency, board composition and independence, control structures, remuneration, as well as social and environmental issues. These guidelines form the basis of our proxy voting decisions, although it should be noted that JPMAM makes all of its voting decisions on a case by case basis, taking into account the individual circumstances of each vote.'

Corporate Social Responsibility

The following is a summary of JPMAM's policy statement on corporate social responsibility which has been noted by the Board:

'We believe it is our primary duty to act in the best financial interests of our clients and to achieve good financial returns consistent with an acceptable level of risk. We recognise that non financial issues, such as social and environmental issues, can have an economic impact and that any company run in the long-term interests of its shareholders will need to manage effectively relationships with its employees, suppliers and customers, to behave ethically and to have regard to the environment and society as a whole. Our investment managers take these factors into account as part of any investment decision.'

By order of the Board
AK Norman, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
14 November 2008

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of schedule 7A of the Companies Act 1985. An ordinary resolution to approve of 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 27.

Directors' Remuneration
(Audited Information)

Director's Name	2008 £	2007 £
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

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. Fees were last increased with effect from 1st October 2005.

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.

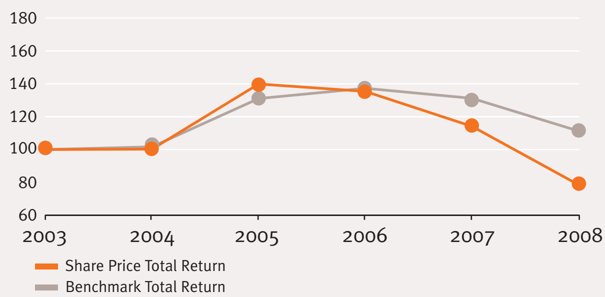
The Board reviews fees on a regular basis. Reviews are based on information provided by the Manager, JPMorgan Asset Management (UK) Limited, and industry research, on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally.

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 (in sterling terms), over the last five years is shown below.

Five year share price and benchmark total return performance to 30th September 2008



Source: Datastream/Standard & Poor's – www.funds.morningstar.com.

By order of the Board
AK Norman, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
14 November 2008

Directors' Responsibilities in Respect of the Accounts

The Directors are responsible for preparing the annual report and the accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law, the Directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to give a true and fair view of the state of affairs of the Company as at the end of the year and of the total return for the year. In preparing those accounts, 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 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 confirm that they comply with these requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. 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.jpmjapanese.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.

Statement under the Disclosure & Transparency Rules 4.1.12

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

(a) the accounts, prepared in accordance with applicable accounting standards, 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 they face.

For and on behalf of the Board
Jeremy Paulson-Ellis
Chairman
14 November 2008

Report of the Independent Auditors

To the Members of The JPMorgan Japanese Investment Trust plc

We have audited the financial statements of The JPMorgan Japanese Investment Trust plc for the year ended 30th September 2008 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirement and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the financial statements.

In addition we report to you if the Company, in our opinion, has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions with the Company is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Financial Reporting Council Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practice Board.. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs at 30th September 2008 and of its net return for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report required to be audited have been properly prepared in accordance with the Companies Act 1985.
- the information given in the Directors' Report is consistent with the financial statements.

BEGBIES CHETTLE AGAR

Chartered Accountants and Registered Auditors
London 14 November 2008

Income Statement

for the year ended 30th September 2008

	Notes	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
Losses from investments held at fair value through profit or loss	2	—	(125,374)	(125,374)	—	(67,960)	(67,960)
Net foreign currency (losses)/gains		—	(1,610)	(1,610)	—	4,878	4,878
Income from investments	3	6,995	—	6,995	6,648	—	6,648
Other interest receivable and similar income	3	165	—	165	420	—	420
Gross return/(loss)		7,160	(126,984)	(119,824)	7,068	(63,082)	(56,014)
Management fee	4	(476)	(1,904)	(2,380)	(621)	(2,483)	(3,104)
Other administrative expenses	5	(486)	—	(486)	(415)	—	(415)
Net return/(loss) on ordinary activities before finance costs and taxation		6,198	(128,888)	(122,690)	6,032	(65,565)	(59,533)
Finance costs	6	(62)	(248)	(310)	(131)	(524)	(655)
Net return/(loss) on ordinary activities before taxation		6,136	(129,136)	(123,000)	5,901	(66,089)	(60,188)
Taxation	7	(956)	469	(487)	(465)	—	(465)
Net return/(loss) on ordinary activities after taxation		5,180	(128,667)	(123,487)	5,436	(66,089)	(60,653)
Return/(loss) per share	9	2.97p	(73.78)p	(70.81)p	2.96p	(35.97)p	(33.01)p

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 32 to 45 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30th September 2008

	Called up share capital £'000	Other reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30th September 2006	46,380	166,791	2,582	296,059	(64)	511,748
Repurchase and cancellation of shares	(2,204)	—	2,204	(19,325)	—	(19,325)
Net (loss)/return from ordinary activities	—	—	—	(66,089)	5,436	(60,653)
At 30th September 2007	44,176	166,791	4,786	210,645	5,372	431,770
Repurchase and cancellation of shares	(676)	—	676	(5,291)	—	(5,291)
Net (loss)/return from ordinary activities	—	—	—	(128,667)	5,180	(123,487)
Dividends appropriated in the year	—	—	—	—	(4,899)	(4,899)
At 30th September 2008	43,500	166,791	5,462	76,687	5,653	298,093

The notes on pages 32 to 45 form an integral part of these accounts.

Balance Sheet

at 30th September 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Investments at fair value through profit and loss	10	321,882	485,058
Current assets	11		
Debtors		8,929	26,976
Derivative financial instrument		—	1
Cash at bank and in hand		35,333	203
		44,262	27,180
Creditors: amounts falling due within one year	12	(68,051)	(80,468)
Net current liabilities		(23,789)	(53,288)
Total assets less current liabilities		298,093	431,770
Total net assets		298,093	431,770
Capital and reserves			
Called up share capital	13	43,500	44,176
Other reserve	14	166,791	166,791
Capital redemption reserve	14	5,462	4,786
Capital reserve	14	76,687	210,645
Revenue reserve	14	5,653	5,372
Shareholders' funds		298,093	431,770
Net asset value per share	15	171.3p	244.3p

The accounts on pages 28 to 45 were approved and authorised for issue by the Directors on 14 November 2008 and are signed on their behalf by:

Jeremy Paulson-Ellis
Chairman

The notes on pages 32 to 45 form an integral part of these accounts.

Cash Flow Statement

for the year ended 30th September 2008

	Notes	2008 £'000	2007 £'000
Net cash inflow from operating activities	16	3,319	3,030
Returns on investments and servicing of finance			
Interest paid		(305)	(663)
Capital expenditure and financial investment			
Purchases of investments		(676,769)	(733,642)
Sales of investments		730,801	748,282
Other capital charges		(17)	(16)
Net cash inflow from capital expenditure and financial investment		54,015	14,624
Dividend paid		(4,899)	—
Net cash inflow before financing		52,130	16,991
Financing			
Repurchase of shares		(5,897)	(18,681)
Net repayment of loans		(11,090)	(3,570)
Net cash outflow from financing		(16,987)	(22,251)
Increase/(decrease) in cash and cash equivalents	17	35,143	(5,260)

The notes on pages 32 to 45 form an integral part of these accounts.

Notes to the Accounts

for the year ended 30th September 2008

1. Accounting policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 1985, United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (the 'SORP') issued by the AIC in December 2005. They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

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 Company has adopted FRS 29: 'Financial instruments: Disclosures' for the first time in these accounts. FRS 29 introduces new disclosure requirements relating to financial instruments. This standard does not have any impact on the classification and/or valuation of the Company's financial instruments. The disclosures required by this standard are given in notes 20 and 21 on pages 40 to 45.

(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 '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 the capital column of the income statement at the time of acquisition. Subsequently the investments are valued at fair value which is bid market price for listed investments.

Changes in the fair value of investments and gains or losses on disposal are included in the capital column of the income statement within 'Losses from investments held at fair value through profit or loss'. All purchases and sales are accounted for on a trade date basis.

(c) Income

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

Overseas dividends are shown gross of withholding tax.

Interest receivable is taken to revenue on an accruals basis.

Interest receivable from debt securities together with any premiums or discounts on purchase are allocated to revenue 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 broker commission. In accordance with the SORP, disclosure of transaction costs is now required and can be found in note 10 on page 36.

(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 at bank and in hand 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 receivables and payables 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.

Derivative instruments are valued at fair value in the balance sheet and are included in current assets or current liabilities. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

(g) Foreign currency

In accordance with FRS23: '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.

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction. Assets and liabilities 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 gains from investments held at fair value through profit or loss.

(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 paid.

(j) VAT

Irrecoverable VAT is included in the expense on which it has been suffered. The basis on which it has been calculated is the partial exemption method using the proportion of taxable supplies to non-taxable supplies. Further information regarding VAT on management fees is given in note 18 on page 39.

Notes to the Accounts continued

	2008 £'000	2007 £'000
2. Losses from investments held at fair value through profit or loss		
Losses from investments held at fair value through profit or loss based on historical cost	(89,132)	(98,575)
Amounts recognised as revaluation losses in the previous year	4,464	36,792
Realised losses based on carrying value at previous balance sheet date	(84,668)	(61,783)
Net movement in revaluation losses	(40,688)	(6,161)
Other capital charges	(18)	(16)
Total capital losses from investments held at fair value through profit or loss	(125,374)	(67,960)

	2008 £'000	2007 £'000
3. Income		
Income from investments		
Dividends from investments listed overseas	6,995	6,648
Other income		
Deposit interest	16	9
Stock lending fees	149	411
	165	420
Total income	7,160	7,068

	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
4. Management fee						
Management fee	476	1,904	2,380	621	2,483	3,104

	2008 £'000	2007 £'000
5. Other administrative expenses		
Other management expenses	366	297
Directors' fees[1]	98	98
Auditors' remuneration for audit services[2]	22	20
	486	415

[1]Full disclosure is given in the Directors' Remuneration Report on page 25.
[2]No other payments were made to the auditors (2007: same).

	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
6. Finance costs						
Interest on bank loans and overdrafts	62	248	310	131	524	655

7. Taxation

	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
(a) Analysis of tax charge for the year						
UK corporation tax at 29% (2007: 30%)	440	—	440	457	—	457
Double taxation relief	(440)	—	(440)	(457)	—	(457)
Overseas withholding tax	487	—	487	465	—	465
Tax attributable to expenses charged to capital	469	(469)	—	—	—	—
Current tax charge for the year	956	(469)	487	465	—	465

	2008 £'000	2008 £'000	2008 £'000	2007 £'000	2007 £'000	2007 £'000
(b) Factors affecting current tax charge for the year						
Net return/(loss) on ordinary activities before taxation	6,136	(129,136)	(123,000)	5,901	(66,089)	(60,188)
Net return/(loss) on ordinary activities before taxation multiplied by the applicable rate of corporation tax of 29% (2007: 30%)	1,779	(37,449)	(35,670)	1,770	(19,827)	(18,057)
Effects of:						
Non taxable capital losses	—	36,825	36,825	—	18,925	18,925
Tax relief on capitalised expenses	(624)	624	—	(902)	902	—
Overseas withholding tax	487	—	487	465	—	465
Double taxation relief	(440)	—	(440)	(457)	—	(457)
Income taxed in different periods	(195)	—	(195)	(35)	—	(35)
Prior year charges utilised	(520)	—	(520)	(376)	—	(376)
Tax attributable to expenses charged to capital	469	(469)	—	—	—	—
Current tax charge for the year	956	(469)	487	465	—	465

The Company has an unrecognised deferred tax asset of £3,220,000 based on a prospective corporation tax rate of 28% (2007: £4,129,000 based on a corporation tax rate of 30%). This 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 due to the uncertainty in calculating the amount which the Company will be able to utilise.

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.

Notes to the Accounts continued

8. Dividends

(a) Dividends paid and proposed

	2008 £'000	2007 £'000
Dividend paid		
2007 final dividend paid of 2.8p[1] (2006: nil)	4,899	–
Dividend proposed		
Final dividend proposed of 2.8p (2007: 2.8p)	4,872	4,948

[1] The final dividend declared in respect of the year ended 30th September 2007 amounted to £4,948,000. However, the actual amount paid was £4,899,000 due to share repurchases after the balance sheet date but prior to the share register record date.

The final dividend has been proposed in respect of the year ended 30th September 2008 and 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 ended 30th September 2009.

(b) Dividend for the purposes of Section 842 of the Income and Corporation taxes Act 1988 ('S842')

The proposed dividend of £4,872,000 (2007: £4,948,000) is the amount on which the requirements of S842 are considered. The revenue available for distribution by way of dividend is £5,180,000 (2007: £5,436,000).

9. Return/(loss) per share

The revenue return per share is based on the earnings attributable to the ordinary shares of £5,180,000 (2007: £5,436,000) and on the weighted average number of shares in issue throughout the year of 174,344,727 (2007: 183,714,823).

The capital loss per share is based on the capital losses attributable to the ordinary shares of £128,667,000 (2007: loss of £66,089,000) and on the weighted average number of shares in issue throughout the year of 174,344,727 (2007: 183,714,823).

The total loss per share is based on the total loss attributable to the ordinary shares of £123,487,000 (2007: loss of £60,653,000) and on the weighted average number of shares in issue throughout the year of 174,344,727 (2007: 183,714,823).

	2008 £'000	2007 £'000
10. Investments at fair value		
Investments listed on a recognised investment exchange	321,882	485,058

	2008 £'000
Opening book cost	488,937
Opening revaluation losses	(3,879)
Opening valuation	485,058
Movements in the year:	
Purchases at cost	674,470
Sales – proceeds	(712,290)
Sales – realised losses on investments	(84,668)
Net movement in revaluation losses	(40,688)
	321,882
Closing book cost	361,985
Closing revaluation losses	(40,103)
	(321,882)

Transaction costs on purchases during the year amounted to £533,000 (2007: £642,000) and on sales during the year amounted to £596,000 (2007: £724,000). These costs comprise mainly broker commission.

During the year, prior year unrealised losses amounting to £4,464,000 have been transferred to realised losses as disclosed in note 14 on page 38.

	2008 £'000	2007 £'000
11. Current assets		
Debtors		
Securities sold for future settlement	6,228	24,739
Dividends and interest receivable	2,666	2,043
Other debtors	35	194
	8,929	26,976

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

	2008 £'000	2007 £'000
Derivative financial instrument		
Forward foreign currency contract[1]	—	1

[1] This represents the unrealised gains on short term contracts.

Cash at bank and in hand

Cash at bank and in hand comprises bank balances and cash held by the Company, including short term bank 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.

	2008 £'000	2007 £'000
12. Creditors: amounts falling due within one year:		
Bank loans	52,844	58,465
Overdrafts	—	3,873
Securities purchased for future settlement	15,088	17,387
Other creditors and accruals	81	99
Repurchase of the Company's own ordinary shares for future settlement	38	644
	68,051	80,468

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

The £52.8 million bank loan at the year end represents a short term Yen denominated loan drawn down on the Company's facility with Lloyds TSB. The £58.5 million bank loans at 30th September 2007 comprised four short term Yen denominated loans drawn down on facilities with ING and Lloyds TSB. Further details are given in note 20 on page 42.

Notes to the Accounts continued

	2008 £'000	2007 £'000
13. Share capital		
Authorised:		
444,800,000 (2007: 444,800,000) shares of 25p each	111,200	111,200
Allotted and fully paid:		
Shares of 25p each		
Opening balance of 176,703,919 (2007: 185,521,919) shares	44,176	46,380
Repurchase of 2,702,000 (2007: 8,818,000) shares for cancellation	(676)	(2,204)
Closing balance[1]	43,500	44,176

[1] Represented by 174,001,919 (2007: 176,703,919) shares of 25p each.

During the year, the Company repurchased 2,702,000 shares, nominal value £676,000, for cancellation, representing 1.53% of the issued shares at the beginning of the year, for a total consideration of £5,291,000. The reason for the purchases was to reduce the volatility of the share price discount to net asset value.

	Other reserve £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
14. Reserves					
Opening balance	166,791	4,786	214,234	(3,589)	5,372
Realised exchange gains on cash and short term deposits	—	—	3,859	—	—
Gains on currency contracts from prior year now realised	—	—	1	(1)	—
Unrealised exchange losses on foreign currency loans	—	—	—	(2,058)	—
Realised exchange losses on foreign currency loans	—	—	(3,411)	—	—
Realised losses on investments	—	—	(84,668)	—	—
Net movement in unrealised losses	—	—	—	(40,688)	—
Transfer on disposal of investments	—	—	(4,464)	4,464	—
Repurchase of ordinary shares for cancellation	—	676	(5,291)	—	—
Management fee and finance costs charged to capital	—	—	(2,152)	—	—
Transfer of unrealised currency gains on loans repaid in the year	—	—	289	(289)	—
Tax relief on expenses charged to capital	—	—	469	—	—
Other capital charges	—	—	(18)	—	—
Net revenue for the year	—	—	—	—	5,180
Dividends appropriated in the year	—	—	—	—	(4,899)
Closing balance	166,791	5,462	118,848	(42,161)	5,653

The Company may only distribute accumulated 'realised' profits. The Institute of Chartered Accountants in England and Wales, has issued guidance (TECH 01/08), stating that profits arising out of the change in fair value of assets, recognised in accordance with Accounting Standards, may be distributed, provided the relevant assets can be readily converted into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash and hence under Company Law distributable reserves should be reduced by revaluation losses on listed investments amounting to £40,103,000 currently included within the Capital reserve – unrealised.

15. Net asset value per share

The net asset value per share is based on the net assets attributable to the ordinary shareholders of £298,093,000 (2007: £431,770,000) and on the 174,001,919 (2007: 176,703,919) shares in issue at the year end.

	2008 £'000	2007 £'000
16. Reconciliation of total loss on ordinary activities before finance costs and taxation to net cash inflow from operating activities		
Net total loss on ordinary activities before finance costs and taxation	(122,690)	(59,533)
Add back capital loss before finance costs and taxation	128,888	65,565
Increase in accrued income	(623)	(109)
Decrease in other debtors	159	96
Decrease in accrued expenses	(24)	(41)
Overseas taxation	(487)	(465)
Expenses charged to capital	(1,904)	(2,483)
Net cash inflow from operating activities	3,319	3,030

	At 30th September 2007 £'000	Cash flow £'000	Other movements £'000	At 30th September 2008 £'000
17. Analysis of changes in net debt				
Cash at bank less overdraft	(3,670)	35,143	3,860	35,333
Bank loans falling due within one year	(58,465)	11,090	(5,469)	(52,844)
Net debt	(62,135)	46,233	(1,609)	(17,511)

18. Contingent assets/liabilities and capital commitments

Following a legal judgement in November 2007, HM Revenue & Customs confirmed that VAT should not be charged on investment trust management fees and that the Company is entitled to seek reimbursement of VAT paid in the past. This judgement has little impact on the Company as it has been able to recover most of the VAT suffered in past years. However, VAT amounting to £348,000 will probably be recoverable. The Board has not yet reached agreement with the Manager and therefore this asset has not been recognised in the accounts at 30th September 2008.

There were no contingent liabilities or capital commitments at the balance sheet date (2007: £nil).

19. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 17 and 18. The management fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year was £2,380,000 (2007: £3,104,000) of which £nil (2007: £nil) was outstanding at the year end.

Included in other management expenses in note 5 on page 34 are safe custody fees amounting to £56,000 (2007: £68,000) payable to JPMorgan Chase as custodian of the Company of which £14,000 (2007: £17,000) 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 £181,000 (2007: £224,000) of which £7,000 (2007: £51,000) 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 £18,000 (2007: £16,000) of which £5,000 (2007: £4,000) was outstanding at the year end.

At the year end, a bank balance of £48,000 (2007: £203,000) was held with JPMorgan Chase. A net amount of interest of £8,000 (2007: £4,000) was receivable by the Company during the year from JPMorgan Chase.

Stock lending fees amounting to £149,000 (2007: £411,000) were receivable during the year. JPMAM commissions in respect of such transactions amounted to £37,000 (2007: £103,000).

Notes to the Accounts continued

20. 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 page 15. 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.

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;
– derivative transactions including index futures and short term forward currency contracts for the purpose of settling short term liabilities; and
– a floating rate loan facility with Lloyds TSB.

(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, which 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.

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.

	2008 Yen £'000	2007 Yen £'000
Investments at fair value through profit or loss that are monetary items	—	—
Current assets	44,175	26,782
Creditors	(67,932)	(79,725)
Foreign currency exposure on net monetary items	(23,757)	(52,943)
Investments at fair value through profit or loss that are equities	321,882	485,058
Total net foreign currency exposure	298,125	432,115

The above year end amounts are broadly representative of the exposure to foreign currency risk during the year.

Foreign currency sensitivity

The following tables illustrate the sensitivity of profit after taxation for the year and equity 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% appreciation or depreciation in sterling against the Yen, which is deemed reasonable based on the volatility of exchange rates during the year.

If sterling had weakened this would have had the following effect:

	2008 £'000	2007 £'000
Income statement return after taxation		
Revenue return	267	205
Capital return	(2,643)	(5,499)
Total return after taxation for the year	(2,376)	(5,294)
Net assets	(2,376)	(5,294)

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

	2008 £'000	2007 £'000
Income statement return after taxation		
Revenue return	(267)	(205)
Capital return	2,643	5,499
Total return after taxation for the year	2,376	5,294
Net assets	2,376	5,294

In the opinion of the Directors, the above sensitivity analysis is broadly representative of the whole 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 one month periods and therefore exposure to interest rate risk is not significant.

Notes to the Accounts continued

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

	2008 £'000	2007 £'000
Exposure to floating interest rates:		
Cash at bank	35,333	203
Creditors: amounts falling due within one year		
– bank overdrafts	—	(3,873)
– borrowings on the loan facility	(52,844)	(58,465)
Total exposure	(17,511)	62,135

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

The Company has a Yen 10.0 billion loan facility with Lloyds TSB which expires in August 2009. Under the terms of this agreement the Company may draw down up to Yen 10.0 billion at an interest rate of Yen LIBOR as offered in the market for the loan period plus a margin of 0.275% plus the 'Mandatory Costs Rate', which is the cost of complying with certain regulatory requirements. At 30th September 2008, the Company had drawn down the whole Yen 10.0 billion (£52.8 million) on this facility at an interest rate of 1.4%, repayable on 22nd October 2008.

At 30th September 2007, the Company had drawn down Yen 9.6 billion (£41.0 million) on this Lloyds TSB facility, comprising three loans of one month duration at a weighted average interest rate of 1.13%. At 30th September 2007, the Company had also drawn down a Yen 4.1 billion (£17.5 million) loan of one month duration on a similar facility with ING, at an interest rate of 1.20%.

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

	2008 £'000	2007 £'000
Maximum interest rate exposure to floating rates – net loan balances	(62,135)	(77,356)
Minimum interest rate exposure to floating rates – net cash/(loan) balances	3,927	(37,680)

Interest rate sensitivity

The following table illustrates the sensitivity of the revenue after taxation for the year and net assets to a 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 reasonably possible 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.

	2008		2007	
	Increase in rate £'000	Decrease in rate £'000	Increase in rate £'000	Decrease in rate £'000
Income statement – return after taxation				
Revenue return increase/(decrease)	248	(248)	(124)	124
Capital return (decrease)/increase	(423)	423	(497)	497
Total (decrease)/increase in return after taxation for the year	(175)	175	(621)	621
Net assets (decrease)/increase	(175)	175	(621)	621

In the opinion of the Directors, the above sensitivity analysis is not representative of the whole year as the level of exposure to floating interest rates has fluctuated during the year due to changing amounts drawn down on the loan facility as shown above.The highest amount drawn down on the loan facility during the year amounted to Yen 13.7 billion (£58.5 million) and the interest rate on these drawings fluctuated between 0.875% and 1.400%.

(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:

	2008 £'000	2007 £'000
Equity investments at fair value through profit or loss	321,882	485,058

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

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.

Other price risk sensitivity

The following table illustrates the sensitivity of net assets to an increase or decrease of 10% in the fair value of the Company's equities. This level of change is considered to be reasonably possible 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.

	2008		2007	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Income statement – return after taxation				
Revenue return (decrease)/increase	(42)	42	(46)	56
Capital return increase/(decrease)	32,021	(32,021)	48,322	(48,280)
Total return after taxation and net assets increase/(decrease)	31,979	(31,979)	48,276	(48,224)

Notes to the Accounts continued

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

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in settling financial liabilities as they fall due.

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 42.

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:

	2008 Three months or less £'000	2007 Three months or less £'000
Creditors: amounts falling due within one year		
Bank loans	52,844	58,465
Overdrafts	—	3,873
Securities purchased for future settlement	15,088	17,387
Other creditors and accruals	81	99
Repurchase of the Company's own ordinary shares for future settlement	38	644
	68,051	80,468

(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

This risk is not significant and is managed by:

- only dealing with brokers which have been approved by JPMAM and banks with high credit ratings assigned by international credit rating agencies; and
- setting limits to the maximum exposure to any one counterparty at any time.

Credit risk exposure

The amounts shown in the balance sheet under debtors, cash at bank and in hand and derivative financial instruments represent the maximum exposure to credit risk at the current and comparative year ends. Cash at bank comprises balances held at banks with an AA credit rating or higher (2007: same).

The aggregate value of securities on loan as at 30th September 2008 amounted to £21,602,000 (2007: £16,572,000) and the maximum value of securities on loan during the year ended 30th September 2008 was £37,114,000 (2007: £52,535,000). Collateral is obtained by JPMorgan Chase & Co. Limited as agent to the Company. Collateral is held in the form of certificates of deposit, letters of credit or bonds. JPMorgan initially calls collateral at either 102% or 105% and pledges to call sufficient collateral to maintain the collateral margins at these levels.

(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.

21. Capital management policies and procedures

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%. Gearing for this purpose is defined as investments expressed as a percentage of total net assets.

	2008 £'000	2007 £'000
Investments	321,882	485,058
Net assets	298,093	431,770
Gearing	108.0%	112.3%

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.

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
Dividends 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.jpmjapanese.co.uk, where the share price is updated every fifteen minutes during trading hours.

Website
www.jpmjapanese.co.uk

Share Transactions
The Company's shares may be dealt in directly through a stockbroker or through a professional adviser acting on an investor's behalf. They may also be purchased and held through the JPMorgan Investment Trust Share Plan, Individual Savings Account (ISA) and Pension Account.

Manager and Secretary
JPMorgan Asset Management (UK) Limited

The Association of Investment Companies A member of the AIC

Company's Registered Office
Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ
Telephone: 0207 742 6000

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

Registrars
Equiniti
Reference 1090
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: 0871 384 2328

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.

Savings Product Administrators
For queries on the JPMorgan ISA, Share Plan or Pension Account, see contact details on the back cover of this report.

Auditors
Begbies Chettle Agar
Epworth House
25 City Road
London EC1Y 1AR

Brokers
Collins Stewart Europe Limited
88 Wood Street
London EC2V 7QR

Shareholder Analysis

at 30th September 2008

	Number of shares	% holding
Unit Trusts	30,862,639	17.7
Pension Funds	34,874,224	20.0
Investment Trusts[1]	9,840,651	5.7
Insurance Companies	7,690,721	4.4
Other Institutions	24,305,355	14.0
Charities	1,563,467	0.9
UK Government	500,000	0.3
Foreign Government	2,194,676	1.3
Total Institutions	111,831,733	64.3
Private Client Brokers	36,051,718	20.7
Retail Investors[2]	19,632,072	11.3
Individuals in the Investment Trust Shareplan[3]	4,622,860	2.7
Individuals in the Investment Trust Individual Savings Account[3]	1,017,588	0.6
Individuals in the Investment Trust Pension Account[3]	845,948	0.5
Total Retail Holdings	62,170,186	35.7
Total Shares in Issue	174,001,919	100.0

[1] Includes 2,555,000 shares held by JPMorgan Elect plc.

[2] Includes shares below threshold.

[3] Savings product managed by JPMorgan.

Nominee accounts have been allocated to their appropriate category.

Notice of Meeting

Notice is hereby given that the eightieth Annual General Meeting of JPMorgan Japanese Investment Trust plc will be held at The Library, JPMorgan's offices, 60 Victoria Embankment, London, EC4Y 0JP on Thursday 18th December 2008 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 2008.

2 To approve the Directors' Remuneration Report for the year ended 30th September 2008.

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 David Pearson as a Director of the Company.

6 To re-elect Jeremy Paulson-Ellis as a Director of the Company.

7 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

8 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 80 of the Companies Act 1985 (the 'Act') to exercise all the powers for the Company to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £2,172,423, 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 2009 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

9 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 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority conferred by Resolution 9 or by way of a sale of Treasury shares as if Section 89(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 £2,172,423, 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 2009 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 pursuant of such offers, agreements or arrangements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

10 THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 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 26,082,887 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 or (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 17th June 2010 unless the authority is renewed at the Company's Annual General Meeting in 2009 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.

Adoption of new Articles of Association

11 THAT the Articles of Association, contained in the document produced to the meeting and signed by the Chairman for the purposes of identification, be approved and adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of the existing Articles of Association, with effect from the conclusion of the 2008 Annual General Meeting.

By order of the Board
AK Norman, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
14 November 2008

Notice of Meeting continued

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 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.

4 Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form.

5 You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last sent shall be treated as replacing and revoking the other or others.

6 To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. two 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 days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.

7 Entry to the Meeting will be restricted to shareholders, with guests admitted only by prior arrangement.

8 A corporation, which is a shareholder, may appoint individuals to act as its representatives and to vote in person at the Meeting (see instructions given on the proxy form). In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.

9 The register of interests of the Directors and connected persons in the share capital of the Company is 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.

10 No Director has any contract of service with the Company.

11 As at 12 November 2008 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 173,793,919 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 173,793,919.

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.

Appendix

Explanatory Notes to Resolution 11

The Companies Act 2006 (the '2006 Act'), which is replacing the Companies Act 1985 (the '1985 Act') is being implemented in stages and will be fully in force by 1st October 2009. Under resolution 11, the Company is proposing to adopt new Articles of Association (the 'new Articles') which will reflect the changes in company law brought about by the 2006 Act which are already in force or which are to come into effect on 1st October 2008, as well as some minor technical or clarifying changes. The new Articles will also generally update the Articles of Association for current law, regulation and market practice.

1 Transfer of shares (Articles 31 and 32)

Under the 2006 Act, a company must either register a transfer or give the transferee notice of, and reasons for, its refusal to register the transfer. Any registration of a transfer or notice of refusal must be made or given as soon as practicable and in any event within two months from the date that the transfer is lodged with the company. The new Articles reflect these requirements.

2 Disclosure of interests (Article 40)

The provisions relating to the disclosure of interests in shares contained in the 1985 Act, including Section 212 on company investigation powers, were repealed in January 2007. Section 793 and related sections in Part 22 of the 2006 Act, which contain the corresponding company investigation powers previously contained in Section 212, were brought into force simultaneously. Article 40 reflects the replacement of Section 212 of the 1985 Act with Section 793 of the 2006 Act.

3 Notice of general meetings (Articles 47 and 48)

The provisions in the new Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are in line with the relevant provisions of the 2006 Act. In particular, a general meeting (other than the annual general meeting) to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

Article 48 deals with situations where, because of a postal strike or similar situation beyond the control of the Company, a notice of meeting is not received by a shareholder. This ensures that such failure does not invalidate proceedings at the meeting in question.

4 Quorum (Article 49)

Article 49 now makes it clear that two persons who are proxies for the same member or representatives of the same body corporate can constitute a quorum.

5 Power to convert into stock

Provisions within the articles of association concerning the conversion of shares into stock have been deleted as such conversion is no longer possible under the Companies Act 2006.

6 Attending and speaking at meetings (Article 55)

Article 55 of the new Articles now provides that the Chairman of the meeting may permit non-members or persons who are not entitled to exercise the rights of members to attend and, at the Chairman's discretion, speak at a general meeting.

7 Polls (Article 61)

Article 61 clarifies that a poll may be demanded before a show of hands, as well as immediately after the result of a show of hands, and gives the directors the right to demand a poll as well as the Chairman of the meeting.

8 Votes of members, proxies and corporate representatives (Articles 68, 73 and 80)

Under the 2006 Act, proxies are entitled to vote on a show of hands as well as on a poll, and members may appoint a proxy to exercise all or any of their rights to attend, speak and vote at meetings. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share or shares. The new Articles reflect these new proxy rights. The 2006 Act also provides for multiple corporate representatives to be appointed and the Articles therefore refer to the right to appoint multiple corporate representatives.

9 Receipt of appointments of proxy and termination of proxy authority (Articles 77 and 78)

Article 77 provides that proxies for a poll to be taken after the date of a meeting or adjourned meeting must be received not less than 24 hours, or such shorter time as the directors may determine, before the time of the poll. The deadlines for receipt of termination of proxy authority have been brought into line with the deadlines for receipt of proxies. Article 78 also permits the directors to specify, in a notice of meeting, that in determining the time for delivery of proxies, no account shall be taken of non-working days.

10 Directors' appointments, interests and conflicts of interest (Articles 103 and 104)

The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1st October 2008 a director has a statutory duty to avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly

Appendix continued

may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts where appropriate, if the articles of association contain a provision to this effect. The 2006 Act also allows the articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

Article 103 is the provision for dealing with conflicts, allowing directors to be interested in transactions and to be an officer of or employed by or interested in a body corporate in which the company is interested. It confirms that such interests, offices or employment will not infringe the conflicts duty as codified in the 2006 Act.

Article 114 gives the directors authority to approve conflict situations including other directorships held by the company's directors and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards that will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

The proposed Article 104 also contains provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

11 Permitted interests and voting (Article 113)

The provisions which previously deemed certain interests of a director's connected persons to be the interests of the director himself for the purposes of this article have been deleted. There is no requirement in the 2006 Act to include such a provision and the 2006 Act contains a much wider definition of 'connected person' of a director. The director and the Company must still take a view each time a matter is being considered as to whether the interests of the director's connected persons mean that the director should be treated as interested for the purposes of this article.

12 Making and retention of minutes (Article 116)

Article 116 contains a new provision to the effect that minutes must be retained for at least 10 years, reflecting the relevant provision of the 2006 Act. (No minimum retention time was previously specified.)

13 The seal (Articles 118 and 119)

Article 117 provides that instruments (other than share certificates) to which the seal is affixed shall be signed by two authorised persons or by a director in the presence of a witness, whereas previously the requirement was for signature by either the director and secretary or two directors.

14 Notices and other communications (Articles 76 and 134-143)

The 2006 Act enables companies to communicate with their members by electronic communication to a greater extent than previously permitted. Article 135 will provide the Company with a general power to send or supply any notice, document or information to any member by a variety of methods – in person, by post or in electronic form (such as by email), or by making it available on the Company's website. In addition to any notice, document or information which is specifically required to be sent or supplied under the 2006 Act, the Company will also be able to send any other document or information to members using this variety of methods.

Article 76 allows proxies to be sent or supplied in electronic form and, where the Company gives an electronic address in a form of proxy, shareholders may send the appointment of proxy to that electronic address, subject to any conditions or limitations specified in the relevant notice of meeting.

The Company may ask each member for his or her consent to receive communications from the Company via its website. If the member does not respond to the request for consent within 28 days, the Company may take that as consent by the member to receive communications in this way. If the Company sends or supplies any notice, document or information to members by making it available on the Company's website, it must notify each member who has consented (or is deemed to have consented) to receive documents via the website, either by post or by email (if the member has specifically agreed to receive communications in electronic form), that the notice, document or information has been placed on the website. A member who has consented or is deemed to have consented to receive communications via the website can request a hard copy of any document at any time.Members can also revoke their consent to receive electronic communications at any time by giving notice in writing to the Company.

In relation to joint holders of shares, Article 135(3) provides that the agreement of the first-named holder on the register of members to accept notices, documents or information electronically or via a website shall be binding on the other joint holders. Article 135(4) permits the Company not to send or supply any notice, document or information to a member whose registered address is not in the United Kingdom unless that member gives a non-electronic address in the United Kingdom.

Article 135(5) and (6) cater for situations where the provision of corporate information in electronic form or via a website may amount to a breach of securities laws of another jurisdiction. The Company may send hard copies if it needs to restrict the circulation of information in certain circumstances, such as for US securities law reasons.

Article 42 deals with notices, documents or information sent by the Company to a member which have been returned undelivered on three consecutive occasions. The member will only be entitled to be sent further communications upon provision of a new postal or electronic address to the Company.

Article 143 is included to deal with the validation of documents in electronic form by members where required by the Articles. In the case of notices of meetings or proxies, any validation requirements must be specified in the notice.

15 Power to indemnify directors (Article 146)

The law governing the giving by a company of indemnities to directors of that company or an associated company was amended in 2005 and further amended by the 2006 Act. In particular, a company may now, *inter alia*, do the following: (i) in the case of liabilities arising from actions brought by third parties (other than regulatory authorities or criminal prosecutors), both the costs (of the director and of the third party) and any damages may be paid by the company even if the judgement goes against the director; (ii) in the case of liabilities arising from actions brought by the company or an associated company, the company will not be able to indemnify a director against damages awarded to the company itself but may pay the director's defence costs as they are incurred (although a director would be liable to repay his defence costs if his defence was to be unsuccessful); (iii) the company will not be permitted to indemnify directors against criminal fines, fines by regulators or the legal costs of successful criminal proceedings against directors; and (iv) a company may, subject to the provisions of the 2006 Act, indemnify a director of an associated company that is the trustee of an occupational pension scheme, taking advantage of the qualifying pension scheme indemnity provision in the 2006 Act. As a result of the above, the directors' indemnity provisions of the Articles of Association have been amended. Article 146 has now been drafted as a permissive provision that gives the Company a broad power to indemnify a director, subject to the provisions of the 2006 Act. Article 146 also permits the maintenance by the Company of liability insurance for directors and it specifically makes it clear that the Company may, subject to the provisions of the 2006 Act, indemnify a director of an associated company that is the trustee of an occupational pension scheme, taking advantage of the qualifying pension scheme indemnity provision in the 2006 Act.

Glossary of Terms

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 in the shares of the Company at the time the shares were quoted ex-dividend. Transaction costs of reinvestment are not taken into account.

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 in the NAV of the Company at the time the shares were quoted ex-dividend.

Benchmark Return
Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received were reinvested in the shares of the underlying companies at the time the shares were quoted ex-dividend.

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

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 was to increase by 100%.

Total Expense Ratio
Management fees and all other operating expenses, excluding interest, expressed as a percentage of the average of the opening and closing net assets.

Discount/Premium
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 to trade at a discount than a premium.

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

Performance Attribution Definitions:

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 outside of 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.

Residual
Arises when there is a divergence between total return as calculated by Fundamental Data (includes dividends paid out by the Investment Trust) and total return from the attribution systems (includes dividend income received on the stocks held by the Investment Trust). This is a result of methodologies and timing differences.

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Freephone 0800 20 40 20 or 0207 742 9999
9.00 am to 5.30 pm Monday to Friday

JPMorgan Pension Helpline
Freephone 0800 41 31 76 or 0172 241 4888
9.00 am to 5.00 pm Monday to Friday
Please use this number if you have any queries relating to the Pension Account.

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