



Interim Report 07

JPMorgan Japanese
Investment Trust plc

Interim Report for the six months ended 31st March 2007

Features

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Objective

Capital growth from Japanese investments.

Investment Policies

- To maintain a portfolio almost wholly invested in Japan.
- To use gearing to increase potential returns to shareholders.

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 185,489,919 were in issue as at 31st March 2007.

Management Company

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

AIC

The Company is a member of the Association of Investment Companies.

Interim Performance

Total Returns (capital plus income)

-1.0%

Total return to shareholders¹

-1.4%

Total return on net assets²

+3.4%

Benchmark total return^{3,4}

Financial Data

	31st March 2007	30th Sept 2006	% change
Total net assets (£'000)	504,365	511,748	-1.4
Number of shares in issue	185,489,919	185,521,919	
Net asset value per ordinary share	271.9p	275.8p	-1.4
Ordinary share price	252.0p	254.5p	-1.0
Discount of share price to net asset value per share	7.3%	7.7%	
Exchange Rate	£1 = ¥231.59	£1 = ¥220.54	

A glossary of terms and definitions is provided on page 12.

¹Source: Standard & Poor's – www.funds-sp.com.

²Source: Fundamental Data – www.funddata.com.

³Source: Datastream.

⁴The Company's benchmark is the Tokyo Stock Exchange 1st Section (TOPIX) in sterling terms.

Chairman's Statement



In the absence of unforeseen circumstances, it appears likely that the Company will be in a position to pay a final dividend of around 2.0p per share in respect of the current financial year.

Performance

Following the underperformance recorded by your Company in the year to 30th September 2006, it is a disappointing result both for your Board and the Managers to report a decline in net assets of 1.4% in the six months to 31st March 2007 when the Company's benchmark, the Tokyo Stock Exchange Index, rose by 3.4%. The background against which the Company performed is discussed in more detail in the Investment Manager's Report, but the Board has expressed concern to the Manager with this continuing underperformance and is working closely with them to improve investment performance going forward.

Revenue and Dividends

As I commented in the last annual report, the Company's revenue position has been transformed in recent years and, as you can see from the Balance Sheet on page 9 of these accounts, a revenue reserve of £2.5m has been established. In the absence of unforeseen circumstances, it appears likely that the Company will be in a position to pay a final dividend of around 2.0p per share in respect of the current financial year. Any dividend payable would be paid at around the time of the Company's Annual General Meeting in December 2007. I should stress at this stage that dividend streams from Japan are not entirely predictable and that the level of any payment made this year should not be taken as an indication of future dividend payments.

Gearing

The Company's level of gearing was maintained in the region of 110-115% for much of the period, apart from a tactical reduction to 106% made in late February to counter the effects of a period of severe market volatility. The level of gearing was then taken back to 115% as opportunities for reinvestment were identified.

Change of Name

Following shareholder approval at the 2006 Annual General Meeting, the Company changed its name from JPMorgan Fleming Japanese Investment Trust plc to JPMorgan Japanese Investment Trust plc.

Outlook

Despite the ongoing growth of the economy, Japanese investors have maintained a defensive outlook for much of the last year. Whilst the larger more defensive stocks have benefited from this phenomenon, many of the smaller and mid-cap stocks to whom your Company has significant exposure have suffered as a result. The weakness of the yen and the attractiveness of sectors such as autos, construction machinery and technology promise better for the portfolio going forwards, but until consumers and investors throw off their caution, overall returns may remain muted.

Jeremy Paulson-Ellis

Chairman

21st June 2007

Investment Manager's Report



At the corporate level it is encouraging that so many companies are growing profits, investing for the future more pro-actively and raising dividends and share buy-backs.

Review

Over the six-month period under review Japan's Topix All Share index rose 6.4% in yen terms, making a gradual recovery from the lows reached in summer 2006. It was still a period of fragile optimism with market corrections in both November and February. The economy sustained its momentum, with both exports and capital expenditure vigorous, but there remained a missing element as consumer spending continued to be subdued. Wage growth was surprisingly modest in the face of growing labour shortages, which was a negative surprise, and this undoubtedly affected consumption and thus the profitability of companies that rely on local demand. To some extent this was offset by strong Japanese exports to Asia, China and oil and commodity producing countries, with China finally overtaking the US as Japan's largest trading partner.

The yen continued to depreciate against sterling, declining 4.6%. With consumption weak and inflation remaining stubbornly close to 0%, lower than expected, the Bank of Japan ("BoJ") was prevented from raising rates more than a meagre 0.25%. Thus the high yield attraction of sterling prevailed and the yen traded at a decade low against it, reaching a level last seen in the 1998 Asian crisis.

The Company's share price declined 1.0% in sterling over the six months but was up 4.0% in yen. The discount to Net Asset Value ('NAV') traded at an average of -7% over the period and closed the half-year near that level. The Company was geared throughout the period and with the index rising modestly and holdings in Real Estate Investment Trusts gaining significantly this was a modest positive factor.

Performance Commentary

The Company's NAV declined 1.4% in sterling over the half-year, 4.8% behind the Topix benchmark index return of positive 3.4%. This was a disappointing result which arose primarily due to the Company's exposure to mid cap names which experienced a de-rating. Coming against a benign economic background with growing corporate profits this was an unusual result, which partly arose from worries about accounting standards at mid and small cap companies. This followed the Livedoor scandal in 2006 and did not represent a change in fundamentals of the businesses themselves. As a result, the valuations of these companies are at a significant discount to the main TSE market, and they appear to represent an investment opportunity rather than a source for further concern.

The portfolio returns show that underweighting some of the largest companies such as Nippon Steel, Toyota, Mitsubishi Estate and Sony detracted from performance as investors sought "safety" in these large stocks. Some large names in the portfolio did perform well, such as Japan Tobacco which took over Gallaghers in the UK and mobile phone operator KDDI. The fund was also underweight in mega-banks which did poorly. However, these successes could not offset the bias to mid and small caps such as real estate company Asset Managers, which generally declined over the period.

Investment Manager's Report continued

Outlook

The outlook for the Japanese economy continues to be for modest growth. Trade with China, India, and Russia is growing and Japan is reaping benefits from the dynamism of these emerging economies as well as the huge transfer of wealth to oil and gas producing countries arising from \$60 oil. However, Japan faces some unique challenges, particularly demographically. It has entered a period where 55-60 year olds are retiring en masse and the number of 16-20 year olds coming into the workforce is shrinking. The resultant labour shortages are not being countered either by higher wage growth or a significant rise in immigration.

At the corporate level, it is encouraging that so many companies are growing profits, investing for the future more pro-actively and raising the level of dividends and share buy-backs. In the last six months many more western private equity funds have arrived in Japan and are now doing deals and pressurizing companies for higher shareholder returns. This has created optimism that companies (who restructured and improved profits after the Asian crisis) may now undertake the second leg of restructuring, involving improving returns by increasing balance sheet efficiency. Japan Inc has a return-on-equity (RoE) of about 10%, compared to 18% in Europe, but this could be higher if excess idle cash on balance sheets was invested - either within the business or in M&A. There are early signs that this is gradually underway.

Overall, Japan's economy will, as always, remain responsive to trends in the global economy, but with more sensitivity these days to trends in China and the major emerging economies. The trends in these regions remain healthy and the valuation of Japanese stocks is fair given the returns they are delivering. There are two unique catalysts that might help Japanese stocks. Firstly, more M&A activity than has historically occurred in Japan, and secondly, the consumer dipping into their relatively large savings and spending more. Whilst it is difficult to make firm predictions on these events both are firmly within the realms of possibility and should not be dismissed. Investors should also consider the historic cheapness of the yen, both for its positive impact upon corporate profits and for the fact that it allows foreign investors to buy Japanese assets, including stocks, more cheaply.

Stephen Mitchell
Investment Manager

21st June 2007

Ten Largest Investments

at 31st March 2007

Company	Sector	Valuation £' 000	Total Assets % ¹
Sumitomo Mitsui Financial Group	Banks	16,287	3.2
Mitsubishi UFJ Financial Group	Securities & Commodity Futures	14,932	3.0
Japan Tobacco	Foods	13,598	2.7
Inpex	Mining	12,808	2.5
Daicel Chemical Industries	Chemicals	12,172	2.4
Nippon Telegraph & Telephone	Information & Communication	11,732	2.3
Mitsubishi UFJ Lease and Finance	Diversified financials	10,747	2.1
Nippon Commercial Investment REIT	Real Estate	10,320	2.1
KDDI	Information & Communication	10,179	2.0
Japan Asia Investments Corp	Other financing business	9,853	2.0
Total²		122,628	24.3

¹ Based on total assets less current liabilities of £504.4m.

² As at 30th September 2006, the value of the ten largest investments amounted to £118,780,000 representing 23.2% of total assets less current liabilities.

Portfolio Analysis

	at 31st March 2007		at 30th September 2006	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Processing	40.4	41.3	32.4	40.4
Electrical Appliances	11.5	13.4	5.6	14.3
Transportation Equipment	7.9	9.4	8.0	9.0
Wholesale	6.4	4.5	6.1	3.6
Communication	5.1	5.1	1.2	5.0
Machinery	4.2	4.4	6.5	3.9
Services	3.6	1.6	3.4	1.4
Other Products	1.1	1.7	0.7	1.8
Precision Instruments	0.6	1.2	0.9	1.4
Consumer	18.4	13.3	19.9	13.0
Other Consumer	7.1	6.3	3.6	7.3
Retail Trade	6.4	4.4	9.0	3.6
Other Financing Business	4.9	2.6	7.3	2.1
Financial	15.7	18.7	17.5	19.1
Basic	14.3	14.9	15.0	14.8
Assets	10.0	8.3	15.2	8.4
Real Estate	7.8	2.6	10.7	2.7
Other Assets	2.2	5.7	4.5	5.7
Utilities	1.2	3.5	-	4.3
	100.0	100.0	100.0	100.0

Based on Total Equity Assets of £578.6m (2006: £575.7m).

Income Statement

for the six months ended 31st March 2007

	(Unaudited) Six months ended 31st March 2007			(Unaudited) Six months ended 31st March 2006			(Audited) Year ended 30th September 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains from investments held at fair value through profit or loss	–	(8,998)	(8,998)	–	145,405	145,405	–	5,897	5,897
Income from investments	3,739	–	3,739	3,887	–	3,887	7,245	–	7,245
Other interest receivable and similar income	317	–	317	611	–	611	1,205	–	1,205
Gross return/(loss)	4,056	(8,998)	(4,942)	4,498	145,405	149,903	8,450	5,897	14,347
Management fee	(321)	(1,284)	(1,605)	(355)	(1,419)	(1,774)	(702)	(2,808)	(3,510)
Other administrative expenses	(200)	–	(200)	(259)	–	(259)	(460)	–	(460)
Net return/(loss) on ordinary activities before finance costs and taxation	3,535	(10,282)	(6,747)	3,884	143,986	147,870	7,288	3,089	10,377
Finance costs	(59)	(237)	(296)	(47)	(189)	(236)	(89)	(358)	(447)
Net return/(loss) on ordinary activities before taxation	3,476	(10,519)	(7,043)	3,837	143,797	147,634	7,199	2,731	9,930
Taxation	(865)	603	(262)	(272)	–	(272)	(507)	–	(507)
Net return/(loss) on ordinary activities after taxation	2,611	(9,916)	(7,305)	3,565	143,797	147,362	6,692	2,731	9,423
Return/(loss) per share (note 2)	1.41p	(5.35)p	(3.94)p	1.92p	77.39p	79.31p	3.60p	1.47p	5.07p

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

The “Total” column of this statement is the profit and loss account of the Company and the “Revenue” and “Capital” columns represent supplementary information. 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.

Reconciliation of Movements in Shareholders' Funds

for the six months ended 31st March 2007 (unaudited)

	Called up share capital £'000	Other reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30th September 2005	46,450	166,791	2,512	295,299	(6,763)	504,289
Adjustment to opening shareholders funds at 1st October 2005 to reflect the adoption of bid prices	–	–	–	(1,209)	–	(1,209)
Shares bought back and cancelled	(70)	–	70	(762)	–	(762)
Total return from ordinary activities	–	–	–	2,731	6,692	9,423
Unclaimed dividends returned in the year	–	–	–	–	7	7
At 30th September 2006	46,380	166,791	2,582	296,059	(64)	511,748
Shares bought back and cancelled	(8)	–	8	(78)	–	(78)
Total (loss)/ return from ordinary activities	–	–	–	(9,916)	2,611	(7,305)
At 31st March 2007	46,372	166,791	2,590	286,065	2,547	504,365

Balance Sheet

as at 31st March 2007

	(Unaudited) 31st March 2007 £'000	(Unaudited) 31st March 2006 £'000	(Audited) 30th September 2006 £'000
Fixed assets			
Investments at fair value through profit or loss	578,580	744,866	575,721
Current assets			
Debtors	8,083	27,273	2,224
Cash at bank and in hand	2,111	726	879
	10,194	27,999	3,103
Creditors: amounts falling due within one year	(84,409)	(122,423)	(67,076)
Net current liabilities	(74,215)	(94,424)	(63,973)
Total assets less current liabilities	504,365	650,442	511,748
Total net assets	504,365	650,442	511,748
Capital and reserves			
Called up share capital	46,372	46,450	46,380
Other reserve	166,791	166,791	166,791
Capital redemption reserve	2,590	2,512	2,582
Capital reserve	286,065	437,887	296,059
Revenue reserve	2,547	(3,198)	(64)
Shareholders' funds	504,365	650,442	511,748
Net asset value per share (note 3)	271.9p	350.1p	275.8p

Cash Flow Statement

for the six months ended 31st March 2007

	(Unaudited) Six months ended 31st March 2007 £'000	(Unaudited) Six months ended 31st March 2006 £'000	(Audited) Year ended 30th September 2006 £'000
Net cash inflow from operating activities	965	874	3,667
Net cash outflow from returns on investments and servicing of finance	(272)	(236)	(478)
Net cash (outflow)/inflow from capital expenditure and financial investment	(14,963)	(10,821)	4,573
Net cash inflow/(outflow) from financing	11,445	11,251	(6,703)
(Decrease)/increase in cash for the period	(2,825)	1,068	1,059

Notes to the Accounts

for the six months ended 31st March 2007

1. Accounting policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" dated 31st December 2005.

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

The accounting policies applied to these interim accounts are consistent with those applied in the accounts for the year ended 30th September 2006.

	(Unaudited) Six months ended 31st March 2007 £'000	(Unaudited) Six months ended 31st March 2006 £'000	(Audited) Year ended 30th September 2006 £'000
2. Return/(loss) per share			
Return/(loss) per share is based on the following:			
Revenue return	2,611	3,565	6,692
Capital (loss)/return	(9,916)	143,797	2,731
Total (loss)/return	(7,305)	147,362	9,423
Weighted average number of shares in issue	185,503,457	185,801,919	185,699,611
Revenue return per share	1.41p	1.92p	3.60p
Capital (loss)/return per share	(5.35)p	77.39p	1.47p
Total (loss)/return per share	(3.94)p	79.31p	5.07p

3. Net asset value per share

Net asset value per share is based on the net assets attributable to the ordinary shareholders' of £504,365,000 (31st March 2006: £650,442,000 and 30th September 2006: £511,748,000) and on the 185,489,919 (31st March 2006: 185,801,919 and 30th September 2006: 185,521,919) shares in issue at the period end.

4. Accounts for the year ended 30th September 2006

The figures and financial information for the year ended 30th September 2006 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 237(2) or 237(3) of the Companies Act 1985.

Information about the Company

Financial Calendar

Financial year end	30th September
Interim results announced	May/June
Final results announced	November
Dividends on ordinary shares paid	Possible December payment
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.

Directors

Jeremy Paulson-Ellis (Chairman)
 Alan Barber
 Andrew Fleming
 David Pearson
 Keith Percy

Company Numbers

Company registration number: 223583
 London Stock Exchange code: 0174002
 Bloomberg code: JFJ LN
 Reuters code: JFJ.L

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 website at www.jpmmorgan.co.uk, where the share price is updated every 15 minutes during trading hours.

Website

www.jpmmorgan.co.uk

Share Transactions

The 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), Personal Equity Plan (PEP) and Pension Account.

Manager and Secretary

JPMorgan Asset Management (UK) Limited

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

Lloyds TSB Registrars
 Reference 1090
 The Causeway
 Worthing
 West Sussex BN99 6DA
 Telephone: 0870 600 3984

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.

Auditors

Begbies Chettle Agar
 Cromwell House
 Fulwood Place
 London WC1V 6HZ

Brokers

Dresdner Kleinwort Investment Bank
 30 Gresham Street
 London EC2V 7PG

Savings Product Administrators

For queries on the JPMorgan ISA, PEP, Share Plan or Pension Account, see contact details overleaf.

aic

The Association of
 Investment Companies A member of the AIC

Glossary of Terms

Total Return to Shareholders

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received (net of tax) 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.

Total 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 (net of tax) were reinvested in the shares of the Company at 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 (net of tax) 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.

Discount/Premium

If the share price of an investment company is lower than the net asset value (NAV) per share, the trust is 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.

Notes

JPMorgan Helpline

Freephone 0800 40 30 30 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.

Your telephone call may be recorded for your security

www.jpmpjapanese.co.uk