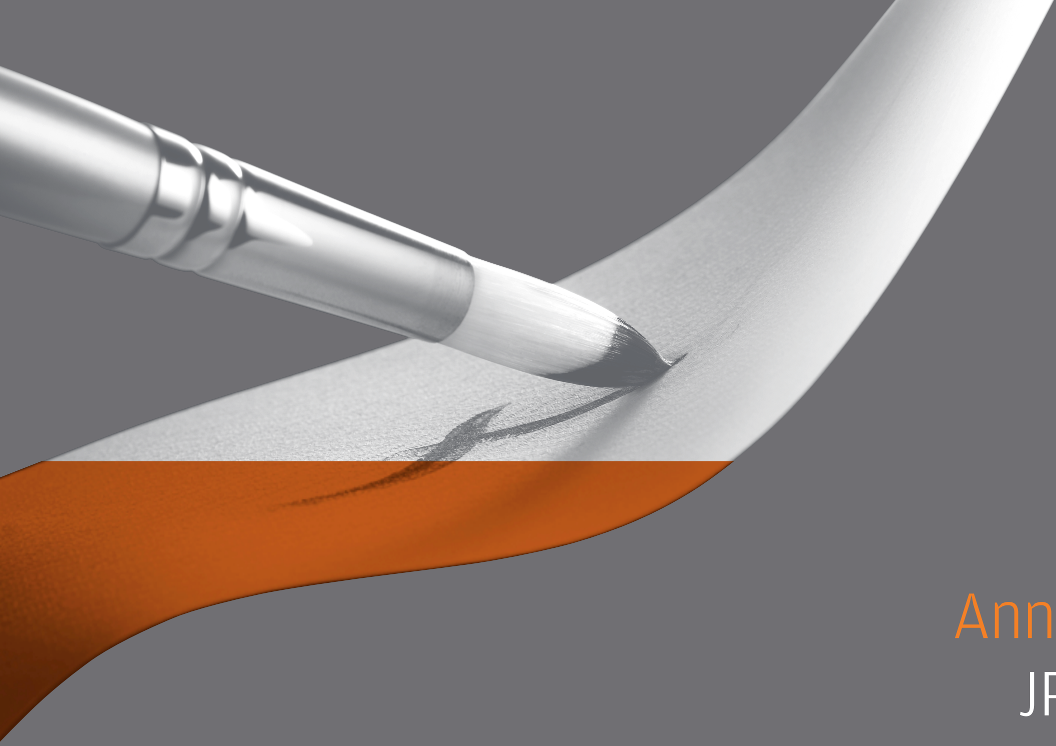


Annual Report 09

JPMorgan Japanese Investment Trust plc

Annual Report & Accounts for the Year Ended 30th September 2009

J.P.Morgan 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% invested in normal market conditions.
- To invest no more than 15% of its gross assets in any listed company (including investment trusts).

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

Benchmark

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

Capital Structure

The Company has an authorised share capital of 444,800,000 ordinary shares of 25p each, of which 169,851,078 were in issue as at 30th September 2009.

Management Company

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

Financial Results

Total Returns (capital plus income) in sterling terms

10.3%
Return to shareholders[1]
(2008: -31.2%)

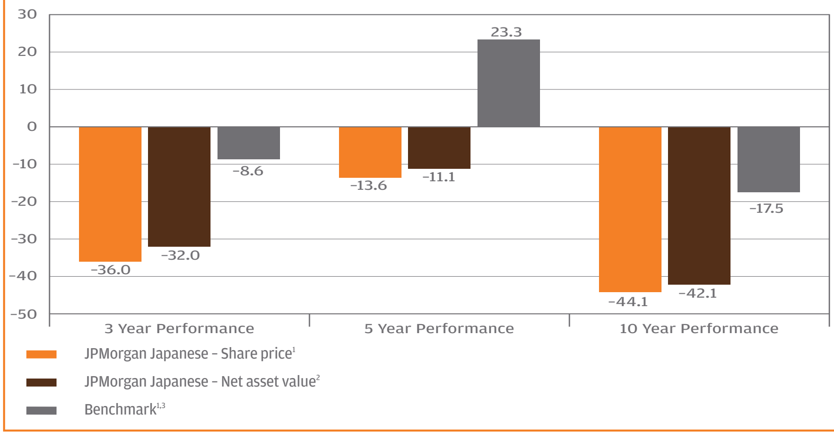
10.5%
Return on net assets[2]
(2008: -29.3%)

12.7%
Benchmark return[1,3]
(2008: -15.2%)

2.8p
Dividend
(2008: 2.8p)

Long Term Performance

for periods ended 30th September 2009



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

[1]Source: Morningstar.
[2]Source: J.P. Morgan.
[3]Source: The Company's benchmark is the Tokyo Stock Exchange 1st Section Index (TOPIX) expressed in sterling terms.

Chairman's Statement

Investment Performance

Over the year to 30th September 2009, your Company produced a total return on net assets in sterling terms of 10.5%, underperforming the sterling total return of the Tokyo Stock Exchange First Section (TOPIX) Index (our benchmark) of 12.7%. The return to shareholders was 10.3%, reflecting the widening of the discount on the Company's shares from 15.1% to 15.5% over the course of the financial year.

Revenue and Dividends

Net revenue after taxation for the year was £5,078,000 (2008: £5,180,000) and earnings per share were 2.96p (2008: 2.97p). I am pleased to report that the Company's revenue position is sufficiently strong to maintain last year's level of dividend and, to that end, the Board proposes, subject to shareholders' approval at the AGM, to pay a final dividend of 2.80p per share (2008: 2.80p). The dividend would be payable on 18th December 2009 to shareholders on the register at the close of business on 4th December 2009. 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. This year's payment therefore should not be taken as any indication of future dividend payments.

Gearing

The Board of Directors sets the overall strategic gearing policy and guidelines and reviews these at each meeting. The investment managers then manage the gearing within these agreed levels. As at the date of this report, the Company was 107.6% geared, the level having ranged between 99.0% and 114.8% during the year.

Investment Manager

The Company's objective is to provide shareholders with capital growth from a portfolio of investments in Japanese companies. Following the initial six months of the year to September 2009 when assets declined, there was an improvement in the second half and overall, your Company produced a total return on net assets in sterling terms of 10.5% for the year under review. This return was below the sterling total return of our Benchmark, the Tokyo Stock Exchange First Section (TOPIX) Index which rose 12.7% during the year, but the whole of the underperformance in the portfolio took place in the first six months. Your Board feel that the changes and subsequent refinements that have been made to the portfolio management process over the last two years have materially contributed to this improvement in performance.

With responsibility for the management of the portfolio having been transferred to Tokyo in December 2007, your Board also feel that the success of the revised management process should be apparent on a continuing and consistent basis in the future. The improvement achieved in recent months is, we hope, evidence of this, but the Board continues to monitor closely the ongoing operation to ensure that this improvement is continued.

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 Andrew Fleming and Keith Percy, who being eligible offer 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 Andrew and Keith contribute significantly to the Board's deliberations and I have no hesitation in recommending their re-election.

Authority to Repurchase the Company's Shares

At last year's AGM, shareholders granted the Directors authority to repurchase up to 14.99% of the company's shares for cancellation. The Company repurchased 2.4% of the Company's issued share capital (4,150,841 shares) for cancellation during the year, adding 0.4% to performance. The Directors believe that the power to buy back 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 2009 at 2.00 pm at Trinity House, Tower Hill, London EC3N 4DH. As in previous years, in addition to the formal part of the meeting, there will be a presentation from the Investment 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 J.P. Morgan Asset Management after the meeting. I look forward to welcoming as many of you as possible to this meeting. If you have any detailed or technical questions, it would be helpful if you could raise these in advance of the meeting with the Company Secretary at Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ. Shareholders who are unable to attend the AGM are encouraged to cast their votes by proxy.

Outlook

The prospects for much of the domestic Japanese economy are uninspiring as the long term structural problems facing Japan continue to prevail. However, companies that can aggressively cut costs or focus their efforts on the emerging economies within Asia can prosper. Japan's proximity to, and increasing trade with, the fast growing Asian economies should provide further opportunities for our Managers over the coming months.

Jeremy Paulson-Ellis
Chairman

20th November 2009

Investment Managers' Report

James Elliot

Nicholas Weindling

Performance

The year ending 30th September 2009 was an extremely volatile year for global economies and markets and Japan was no exception to this. The Japanese stockmarket is dominated by manufacturing exporters which felt the full force of the global demand collapse even though personal and corporate balance sheets were relatively healthy. The collapse in global trade and the demand for products from cars to computers rapidly affected the domestic economy. By July, Japanese unemployment had reached an all time high and domestic companies felt the effects of falling disposable incomes.

In sterling terms, the company's NAV rose by 10.5% over the year against the return of our benchmark index, the Tokyo Stock Exchange First Section ("TOPIX") of 12.7%. The underperformance recorded resulted from the weak performance in the very volatile markets witnessed in the first half of the year. The second half of the year saw a modest outperformance of the index (17.6% vs. 17.0%). In yen terms the TOPIX Index actually fell by 14.7% over the year.

The Economy

The first half of the year saw a plethora of record breaking poor data as the effects of the Lehman bankruptcy spread to Asia. Capacity utilisation levels at many companies fell to record lows. Japanese industrial production fell to 1983 levels when capacity was 25% lower, while exports fell 46% in January on top of a 35% drop in December. In the first quarter of 2009 Japan's GDP fell at an annualised rate of 12.4%, twice the rate of any other developed economy. Due to the speed and severity of the downturn the pick up in macro data has been rapid in the second half of the year. Export volumes rose for a sixth consecutive month in September and are now 25% higher than the trough in February. Global trade is accelerating again and the labour market has also started to show signs of stabilisation, with manufacturing overtime hours up 30% since the bottom in the first quarter. Employment data will eventually improve while wages should increase as companies withdraw emergency measures that saw temporary cuts in salaries.

Looking at the long-term, the structural problems facing Japan remain significant. The current population of just over 127 million will fall to around 100m by 2050. The ratio of people aged 65 and over will rise from 20% today to over 30% in twenty years time. Deflation remains entrenched which creates a difficult environment for consumer spending – this continued lack of dynamism in the domestic economy contributes to the low return on equity generated by many domestic Japanese companies. However, it is very important for investors to separate the issues affecting the economy from those that affect the market. Manufacturing accounts for close to 60% of market capitalisation of the TOPIX Index, an area where we believe Japan is strongest, whereas it is just 21% of GDP. Simply put, the Japanese economy does not equal the Japanese market.

Performance attribution for the year ended 30th September 2009

	%	%
Contributions to total returns		
Benchmark total return		12.7
Allocation effect	-1.0	
Stock selection	-1.5	
Gearing/cash	1.0	
Dividend	-0.4	
Investment manager contribution		-1.9
Portfolio total return		10.8
Management fees/ other expenses	-0.8	
Share repurchases	0.4	
VAT recovery	0.1	
Other effects		-0.3
Net asset value total return		10.5
Share price total return		10.3

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

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

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

Politics

The August 30th lower house election brought about the most significant change in the Japanese political landscape for decades. The opposition Democratic Party of Japan (DPJ) swept to a landslide victory pushing aside the Liberal Democratic Party (LDP). This is the first time since 1950 that any party other than the LDP has held a majority. The thirst for change was further demonstrated by a voter turnout that was the highest in thirty years. The DPJ under Yukio Hatoyama has a strong mandate to push through much needed reforms which could reinvigorate the domestic economy. In the long-term view there is no doubt that it will be a positive if Japan can become a country with two distinct parties offering a real choice to voters. There is much that is laudable within the new ruling party's manifesto, not least a desire to boost domestic demand, a realisation that Japan's future lies in Asia and a desire to reduce the power of the bureaucracy in favour of greater ministerial accountability.

Corporate Outlook

Earnings reported by Japanese companies for the quarter ending in June reflected both the stabilisation of the macro environment and also cost cutting undertaken in the first few months of the year. That they were generally better then expected was a reflection of the fact that in many companies the need to address costs was taken seriously. The earnings reported by Japanese companies for the quarter to the end of September have continued to surprise positively as the effects of the pick-up in global trade and in particular the continued strength of the Asian block economies has begun to come through. As an example, over half of profits at Honda Motor now come from Asia.

We can increasingly identify a widening gap between strong and weak companies across much of the market. Taking the retail sector as an example, the primary dynamic is of persistent deflation. Within this environment it is vital to provide a value proposition to consumers. This business model can only be successful with a low cost base, yet Japanese department stores have singularly failed to bring costs under control while same store sales continue their miserable trend. There are, however, companies which have aggressively adjusted to the reality of the situation, such as Uniqlo, which are now seeing significant profit growth in Japan which gives it the springboard from which to venture overseas.

There is a similar gap developing amongst those companies focused on export markets. Some have seen their competitive edge whittled away each year by Asian competition while their balance sheets have steadily weakened. However, others such as Asahi Glass and Shin-Etsu Chemical, are as competitive as ever and operate in businesses with high barriers to entry. Japanese companies are also aware of the huge opportunity presented to them by Asia. Japan is fortunate that by geographic chance it happens to be ideally positioned in one of the world's fastest developing regions. The share of Japanese exports to Asia has increased from 25% twenty years ago to 54% today with China the biggest single destination, now surpassing the United States. The Trust holds positions in a variety of companies that trade on very

Investment Managers' Report continued

attractive valuations that play directly to this theme. 35% of sales at Kansai Paint are from Asia, particularly India. Daihatsu Motor is the number two auto manufacturer in Indonesia behind its partner Toyota. These two companies together enjoy 50% market share in a country where car ownership is only just beginning to take off. Companies also see the benefits of moving production to lower cost Asian centres particularly in view of Japan's declining population. For example, consumer electronics maker Funai Electric manufactures entirely in mainland Asia – as a result it is at no cost disadvantage versus Chinese, Taiwanese or Korean manufacturers.

Market Outlook

The TOPIX index trades on a price to book multiple of below 1.1 times. This is well below previous cyclical troughs. Earnings momentum has now clearly inflected and we expect companies with strong fundamentals to be rewarded. Investor sentiment towards Japan, according to the Merrill Lynch fund manager survey, sits near all-time lows. It is always darkest before the dawn. Many Japanese companies have shown themselves adept at dealing with the recent crisis and will (and are already) emerging stronger as a result.

The outlook for the domestic economy may be somewhat lacklustre and some companies will struggle to cope with competitive pressures from Asia. However, in aggregate the huge opportunities afforded by Asia outweigh these competitive concerns and the prospects for adding value through stock picking are very exciting. Sell-side broker coverage of the market has diminished appreciably whilst many money managers have switched to passive strategies in the Japan market. With the gap between the winner and loser companies in the market becoming ever greater, a bottom-up, fundamental approach should be amply rewarded.

The process at JPMorgan Asset Management focuses on companies that offer a combination of growth at attractive valuations, determined by forward looking measures such as price/earnings and cash-flow yield as well as careful consideration of shareholder awareness, determined by measures such as dividend yield. Furthermore, as a group, we have significant resources on the ground in cities such as Hong Kong, Seoul, Mumbai and Singapore, allowing us to be fully aware of the competitive threats and opportunities for Japanese companies. The performance of the JPMorgan Japanese Investment Trust is our number one concern. We are encouraged by the recent stabilisation of investment performance and believe that the current market environment presents us with an excellent opportunity to add value in the coming year.

James Elliot
Nicholas Weindling
Investment Managers

20th November 2009

Summary of Results

	2009	2008	
Total Returns for the year ended 30th September			
Return to shareholders[1]	**+10.3%**	-31.2%	
Return on net assets[2]	**+10.5%**	-29.3%	
Benchmark return[1,3]	**+12.7%**	-15.2%	
Net Asset Value, Share Price and Discount at 30th September			% change
Shareholders' funds (£'000)	**315,677**	298,093	+5.9
Net asset value per share	**185.9p**	171.3p	+8.5
Share price	**157.0p**	145.5p	+7.9
Share price discount to net asset value	**15.5%**	15.1%	
Exchange rate	**£1 = ¥143.2**	£1 = ¥189.2	+32.1
Shares in issue	**169,851,078**	174,001,919	
Revenue for the year ended 30th September			
Gross revenue return (£'000)	**7,596**	7,160	+6.1
Net revenue attributable to shareholders (£'000)	**5,078**	5,180	-2.0
Return per share	**2.96p**	2.97p	-0.3
Dividend per share	**2.80p**	2.80p	0.0
Actual Gearing Factor	**107.6%**	108.0%	
Total Expense Ratio ('TER')	**0.76%**	0.79%	

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

[1]Source: Morningstar.

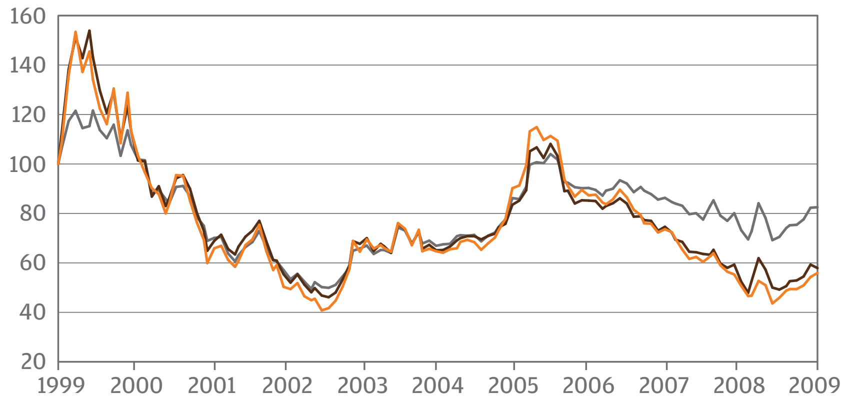
[2]Source: J.P. Morgan.

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

Performance

Ten Year Performance

Figures have been rebased to 100 at 30th September 1999



Source: Morningstar/Datastream.

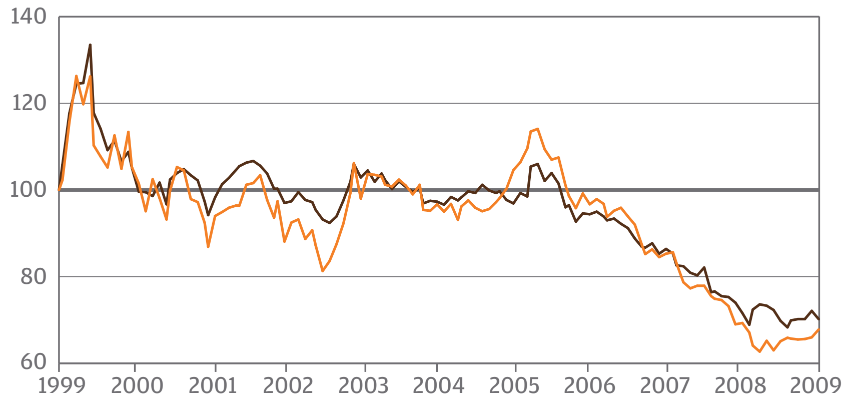
JPMorgan Japanese – Share price.

JPMorgan Japanese – Net asset value.

Benchmark.

Performance Relative to Benchmark

Figures have been rebased to 100 at 30th September 1999



Source: Morningstar/Datastream.

JPMorgan Japanese – Share price.

JPMorgan Japanese – Net asset value.

The benchmark index is represented by the grey horizontal line.

Ten Year Financial Record

At 30th September	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	**2009**
Total assets less current liabilities (£'m)	636.5	721.1	413.5	338.4	408.6	393.1	504.3	511.7	431.8	298.1	**315.7**
Net asset value per share (p)	325.0	368.2	211.1	180.2	219.9	211.6	271.4	275.8	244.3	171.3	**185.9**
Share price (p)	291.5	330.5	174.5	146.5	188.0	188.5	263.0	254.5	214.5	145.5	**157.0**
Discount (%)	10.3	10.2	17.3	18.7	14.5	10.9	3.1	7.7	12.2	15.1	**15.5**
Actual gearing (%)	120.8	121.0	119.7	106.7	112.2	106.8	113.8	112.5	112.3	108.0	**107.6**
Yen exchange rate (=£1)	175.3	159.8	175.1	191.5	185.6	199.4	200.5	220.5	234.3	189.2	**143.2**
Year ended 30th September											
Revenue attributable to shareholders (£'000)	3,391	4,861	4,632	3,601	4,274	5,272	6,537	8,450	7,068	7,160	**7,596**
Earnings per share (p)	(1.29)	(2.23)	(1.95)	(0.82)	1.19	2.06	2.75	3.60	2.96	2.97	**2.96**
Dividend per share (p)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	2.80	2.80	**2.80**
Total expense ratio ('TER') %	0.64	0.77	0.77	0.83	0.66	0.83	0.73	0.78	0.75	0.79	**0.76**
Rebased to 100 at 30th September 1999											
Share price total return[1]	100.0	113.4	59.9	50.3	64.5	64.7	90.2	87.3	73.6	50.7	**55.9**
Net asset value total return[1]	100.0	113.3	64.9	55.4	67.7	65.1	83.5	85.2	74.6	52.4	**57.9**
Benchmark[1,2]	100.0	107.7	68.9	57.1	65.8	66.9	86.2	90.3	86.3	73.2	**82.5**

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

[1]Source: Morningstar.

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

Ten Largest Investments

at 30th September 2009

Company	Sector	2009 Valuation £'000	2009 %[1]	2008 Valuation £'000	2008 %[1]
Nippon Telegraph and Telephone Provides a variety of telecommunication services.	Communication	**20,012**	**6.4**	16,164	5.4
Ibiden[2] Develops, produces, and markets ceramics, housing materials, and electronics. The Company's products include printed circuit boards (PCB), graphite specialties, integrated circuit (IC) packages, ceramic fibres, melamine decorative high-pressure laminates, and pre-cut structural materials.	Electric Appliances	**13,654**	**4.3**	–	–
Mitsubishi UFJ 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	**13,232**	**4.2**	17,545	5.9
Sumitomo Mitsui Financial Holding company established by Sumitomo Mitsui Banking Corporation. The Company provides commercial banking and a variety of financial services.	Banks	**10,216**	**3.2**	12,311	4.1
Orix[2] Provides comprehensive financial services throughout the world. The Company's business lines include leasing, installment loans, real estate loans, life insurance, banking, securities brokerage, venture capital, and consumer finance.	Other Financing Business	**10,115**	**3.2**	–	–
Honda Motor Develops, manufactures and distributes motorcycles, automobiles, and power products.	Transportation Equipment	**9,957**	**3.2**	14,204	4.8
Mitsui O.S.K. Lines[3] Provides marine transportation, warehousing, and cargo handling services. The Company operates container ships, specialised carriers, oil tankers, and ferries. Items transported include coal, iron ore, grain, logs, aluminum, cement, industrial salt, copper ore, wood chips, paper products, chemical products, gasoline and other petroleum products, LPG, and other cargoes.	Marine Transportation	**9,230**	**2.9**	6,218	2.1
KDDI[3] Provides mobile communication services and sells mobile devices. The Company also is a broadband provider.	Communication	**9,152**	**2.9**	6,290	2.1
NTT Docomo Japan's premier mobile communications company.	Communication	**8,409**	**2.7**	16,381	5.5
Mitsui & Co[3] A general trading company. The Company has operating groups including Iron and Steel, Non-Ferrous Metals, Machinery, Chemicals, Foods, Energy, Textiles, and General Merchandise. Mitsui also operates real estate and overseas development projects.	Wholesale	**7,657**	**2.4**	5,763	1.9
Total		**111,634**	**35.4**		

[1]Based on total assets less current liabilities of £315.7m (2008: £298.1m).
[2]Not held in the portfolio at 30th September 2008.
[3]Not included in the ten largest investments at 30th September 2008.

At 30th September 2008, the value of the ten largest investments amounted to £128.0m representing 42.9% of total assets less current liabilities.

Sector Analysis

	30th September 2009				30th September 2008			
	Portfolio		Benchmark		Portfolio		Benchmark	
		%		%		%		%
Processing		**46.6**		**35.3**		53.0		42.0
Electric Appliances	**12.7**		**8.6**		9.2		13.1	
Communication	**11.8**		**3.8**		14.4		5.7	
Transportation Equipment	**8.7**		**3.0**		10.7		9.2	
Wholesale	**8.4**		**4.3**		9.4		4.1	
Machinery	**1.8**		**7.5**		5.4		4.0	
Services	**1.5**		**4.5**		0.9		1.6	
Precision Instruments	**1.3**		**1.3**		–		1.4	
Other Products	**0.4**		**2.3**		3.0		2.9	
Basic		**17.6**		**20.2**		13.9		14.5
Consumer		**13.6**		**17.3**		10.4		13.4
Other Consumer	**6.7**		**8.5**		6.4		8.6	
Other Financing Business	**4.4**		**1.6**		–		1.2	
Retail Trade	**2.5**		**7.2**		4.0		3.6	
Financial		**12.3**		**9.4**		15.3		16.4
Assets		**9.9**		**17.1**		7.4		8.7
Other Assets	**6.7**		**6.8**		7.4		6.2	
Real Estate	**3.2**		**10.3**		–		2.5	
Utilities		**–**		**0.7**		–		5.0
Total		**100.0**		**100.0**		100.0		100.0

Based on the total portfolio investments of £339.7m (2008: £321.9m).

List of Investments
at 30th September 2009

Company	Valuation £'000
Processing	
Electric Appliances	
Ibiden	13,654
Mitsubishi Electric	5,930
Canon	5,719
Panasonic	4,033
Murata Manufacturing	3,530
Funai Electric	3,030
TDK	2,598
Kyocera	1,899
Hitachi	1,406
Yokogawa Electric	1,282
Wacom	99
	43,180
Communication	
Nippon Telegraph and Telephone	20,012
KDDI	9,152
NTT Docomo	8,409
Nippon Television Network	1,377
Fuji Media	978
	39,928
Transportation Equipment	
Honda Motor	9,957
Toyota Motor	6,284
Isuzu Motors	6,079
Daihatsu Motor	4,019
NOK	2,387
Denso	655
Suzuki Motor	146
Shimano	27
	29,554
Wholesale	
Mitsui & Co	7,657
Sumitomo Corporation	7,021
Mitsubishi	4,333
Marubeni	3,419
Itochu	3,372
Sojitz	1,936
JFE Shoji	908
	28,646

Company	Valuation £'000
Machinery	
JTEKT	2,846
Sankyo	1,639
THK	1,014
Okuma	795
Komatsu	39
Hitachi Construction Machinery	13
	6,346
Services	
Rakuten	3,746
Nichii Gakkan	1,274
	5,020
Precision Instruments	
Nikon	3,382
Hoya	990
	4,372
Other Products	
Nintendo	1,253
	1,253
Total Processing	**158,299**
Basic	
Marine Transportation	
Mitsui O.S.K. Lines	9,230
Nippon Yusen KK	2,356
Kawasaki Kisen Kaisha	1,419
	13,005
Glass & Ceramic	
Asahi Glass	7,316
NGK Insulators	3,591
Fujimi	294
	11,201
Chemicals	
Kansai Paint	4,826
Fujifilm	2,862
Shin-etsu Chemical	2,649
Mandom	89
JSR	13
	10,439

Company	Valuation £'000
Metal Products	
Sumco	6,393
JS Group	1,766
	8,159
Nonferrous Metals	
Sumitomo Electric	6,601
	6,601
Iron and Steel	
Kobe Steel	3,561
JFE	1,105
Nippon Steel	1,098
Yamato Kogyo	470
Sumitomo Metal Industries	15
	6,249
Rubber Products	
Bridgestone	4,200
	4,200
Total Basic	**59,854**
Consumer	
Other Financing Business	
Orix	10,115
Osaka Securities Exchange	4,727
	14,842
Pharmaceuticals	
Daiichi Sankyo	4,527
Shionogi	3,389
Tsumura	2,651
Astellas Pharma	1,927
Takeda Pharmaceutical	1,291
	13,785
Foods	
Toyo Suisan Kaisha	4,985
Nissin Food	3,301
Japan Tobacco	1,009
	9,295
Retail Trade	
Maruetsu	2,908
Joshin Denki	2,319
Seven & I	2,174
Fast Retailing	879
Shimachu	82
	8,362
Total Consumer	**46,284**

Company	Valuation £'000
Financial	
Banks	
Mitsubishi UFJ	13,232
Sumitomo Mitsui Financial	10,216
Sumitomo Trust & Banking	624
	24,072
Securities & Commodity Futures	
Nomura	7,145
Daiwa Securities	5,965
SBI	2,986
	16,096
Insurance	
Tokio Marine	1,580
	1,580
Total Financial	**41,748**
Assets	
Land Transportation	
East Japan Railway	6,708
Central Japan Railway	4,974
West Japan Railway	3,732
Hitachi Transport System	87
	15,501
Real Estate	
Goldcrest	3,948
Japan Excellent	1,109
Japan Prime Realty Investment	1,021
Nippon Building Fund	1,020
Japan Real Estate Investment	1,006
Global One Real Estate Investment Trust	979
Nomura Real Estate	971
Japan Retail Fund Investment	662
Tokyo Tatemono	3
	10,719
Construction	
Haseko	4,956
Chudenko	1,162
Kandenko	1,146
	7,264
Total Assets	**33,484**
Total Portfolio	**339,669**

Board of Directors

Jeremy Paulson-Ellis (Chairman)

A Director since 1996.

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

Alan Barber (Chairman of the Audit Committee)

A Director since 2006.

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

Andrew Fleming

A Director since 2004.

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

David Pearson

A Director since 2003.

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

Keith Percy

A Director since 2004.

Currently Chairman of Brunner Investment Trust plc and a Director of Standard Life Equity Income Trust plc and Henderson Smaller Companies Investment Trust plc.

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 2009.

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 2008. 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 2008 would be subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment.

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

The Company registration number is 223583.

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 7.

Objective

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

Investment Policies and Risk Management

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

Investment Restrictions and Guidelines

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

- The Company must maintain 97.5% of investments in Japanese securities or securities providing an indirect investment in Japan. (30th September 2009: 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 2009: None).
- The Company's gearing policy is to operate within a range of 95% to 115% invested in normal market conditions. (30th September 2009: 107.6%).
- The Company does not normally enter into derivative transactions and to do so requires prior Board approval. (30th September 2009: 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 2009: 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 2009: 6.4%).

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

Performance

In the year ended 30th September 2009, the Company produced a total return to shareholders of 10.3% and a total return on net assets of 10.5%. This compares with the return on the Company's benchmark of 12.7% As at 30th September 2009, the value of the Company's investment portfolio was £339.7 million. The Investment Manager's Report on pages 4 to 7 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends

Gross total return for the year amounted to £31.2 million (2008: £119.8 million loss) and net total return after deducting interest, management expenses, and taxation amounted to £28.3 million (2008: £123.5 million loss). Distributable income for the year amounted to £5.1 million (2008: £5.2 million). The Directors have declared a dividend of 2.8p per share (2008: 2.8p). This dividend will absorb £4.8 million and the revenue reserve after allowing for the dividend will amount to £1.1 million.

Key Performance Indicators ('KPIs')

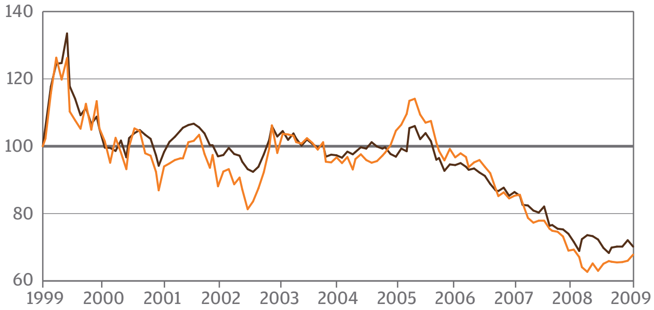
The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

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

Directors' Report continued

Performance Relative to Benchmark Index

Figures have been rebased to 100 at 30th September 1999



Source: Morningstar/Datastream.

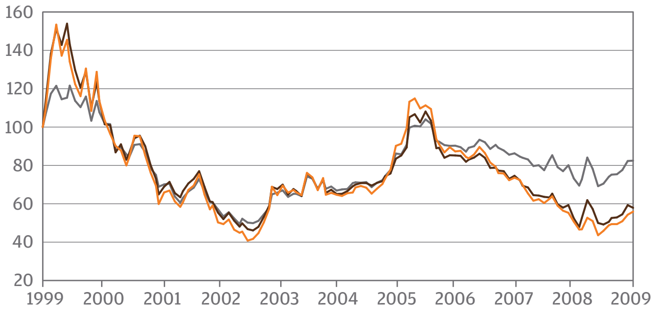
JPMorgan Japanese – Share price.

JPMorgan Japanese – Net asset value.

The benchmark index is represented by the grey horizontal line.

Ten Year Performance

Figures have been rebased to 100 at 30th September 1999



Source: Morningstar/Datastream.

JPMorgan Japanese – Share price.

JPMorgan Japanese – Net asset value.

Benchmark.

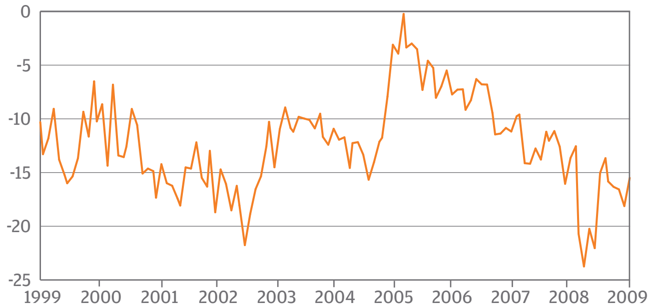
- **Performance against the Company's peers**
  The principal objective is to achieve capital growth relative to the benchmark. However, the Board also monitors the performance relative to a broad range of competitor funds.

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

  Details of the attribution analysis for the year ended 30th September 2009 are given in the Investment Manager's Report on page 5.

- **Share price discount to net asset value ('NAV')**
  The Board has a share repurchase programme which seeks to address imbalances in supply of and demand for the Company's shares within the market. This minimises the volatility and absolute level of the discount to NAV at which the Company's shares trade in relation to its peers in the sector. In the year to 30th September 2009, the shares traded between a discount of 23.7% and 12.6%.

Discount Performance



Source: Datastream.

JPMorgan Japanese – Discount.

- **Total expense ratio ('TER')**
  The TER represents the Company's management fees and all other operating expenses excluding interest and VAT recoverable, expressed as a percentage of the average of the opening and closing net assets. The TER for the year ended 30th September 2009 was 0.76% (2008: 0.79%). 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 4,150,841 ordinary shares for cancellation, representing 2.4% of the Company's issued share capital at the beginning of the financial year, for a consideration of £5,878,000. Since the end of the financial year, the Company has repurchased a further 3,795,000 ordinary shares for cancellation for a consideration of £5,456,000.

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 (2008: 2.8p) per share payable on 19th December 2009 to holders on the register at the close of business on 21st November 2009.

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 2006 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules may result in the Company's shares being suspended from listing which in turn would breach Section 842. The Board relies on the services of its Company Secretary, JPMAM, and its professional advisers to ensure compliance with The Companies Act 2006 and The 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 page 23.

- Financial: The financial risks faced by the Company are disclosed in note 20 on pages 40 to 46.

Future Developments

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

Management of the Company

JPMorgan Asset Management (UK) Limited is employed as Manager and secretary to the Company under a contract terminable on six months notice, without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

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

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

Directors' Report continued

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

With effect from 1st December 2007, the Board and the Manager agreed that day-to-day investment management activity would be conducted in Tokyo by Jardine Fleming Asset Management, a 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 believe that having considered the Company's investment objective (see page 15), risk management policies (see pages 40 to 46), capital management policies and procedures (see page 46), the nature of the portfolio and expenditure projections that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by these terms. As at 30th September 2009, the Company had no outstanding trade creditors (2008: 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 2009	1st October 2008 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 Andrew Fleming and Keith Percy. 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 Section 418(2) of the Companies Act 2006.

Section 992 Companies Act 2006

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

Capital Structure

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

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 15 to the Notice of AGM on page 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	20,636,289	12.1
1607 Capital Partners	14,335,047	8.4
J.P. Morgan Asset Management	7,386,559	4.3
Legal & General	6,820,390	4.0

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

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

Independent Auditors

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

Annual General Meeting

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

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

(i) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 8 and 9)

The Directors will seek renewal of the authority at the Annual General Meeting to issue up to 8,302,800 new ordinary shares for cash up to an aggregate nominal amount of £2,075,700 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 2008 Annual General Meeting, will expire on 17th June 2010 unless renewed at the forthcoming Annual General Meeting.

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

The full text of the resolution is set out in the Notice of Meeting on pages 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 changes in company law brought

Directors' Report continued

about by the 2006 Companies Act (the 'Act') which came into effect on 1st October 2009 and changes made to the 2006 Act in August 2009 to implement the EU Shareholder Rights Directive in the UK, as well as some minor technical or clarifying changes.

The principal changes in the new articles of association proposed to be adopted at the 2009 AGM relate to shareholder meetings and resolutions, the Company's constitution and share capital.

In August 2009, changes were made to the provisions in the 2006 Act on company meetings by The Companies (Shareholders' Rights) Regulations 2009 ('Shareholders' Rights Regulations') to implement the EU Shareholder Rights Directive in the UK. The new articles incorporate amendments in relation to meetings to ensure consistency with the 2006 Act (as amended by the Shareholders' Rights Regulations).

Under the 2006 Act all provisions of the Company's memorandum, but most significantly the objects clause, are deemed to form part of the Company's articles from 1st October 2009. It is possible for the objects clause to be removed or amended by amending the articles by special resolution. It is not necessary under the 2006 Act for a company to set out its objects. The 2006 Act provides that, unless the articles state otherwise, a company's objects will be unrestricted.

One of the other key provisions of the memorandum which is deemed to form part of the Company's articles from 1st October 2009 is the restriction created by the existing authorised share capital statement. The 2006 Act removes the requirement for a company to place limits on its authorised share capital.

By adopting the new articles which do not contain the objects clause or the authorised share capital statement, the Company will remove these provisions, which would otherwise be deemed to form part of the Company's articles under section 28 of the 2006 Act, from its articles.

For a more detailed explanation of these and other amendments please refer to the Appendix to this document 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 Trinity House, Tower Hill, London EC3N 4DH, being the place of the Annual General Meeting, for 15 minutes prior to, and during, the meeting

Recommendation

The Board considers that resolutions 8 to 11 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
20th November 2009

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.

Corporate Governance continued

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.

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

Training and Appraisal

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

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

Board Committee

Nomination and Remuneration Committee

The Board has established a Nomination and Remuneration Committee, which consists of the entire Board, and which meets at least annually to ensure that the Board has a balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary. A variety of sources, including external search consultants, may be used to ensure that a wide range of candidates is considered.

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

Audit Committee

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

Terms of Reference

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

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders quarterly each year by way of the annual report and accounts, the half year report and two interim management statements. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

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

The Company's Annual Report and Accounts 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 57.

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

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

Internal Control

The Combined Code requires the Directors, at least annually, to review the effectiveness of the Company's system of internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management.

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

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. The Company does not have an internal audit function of its own, but relies on the internal audit department of JPMAM.

The key elements designed to provide effective internal control are as follows:

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

Management Agreement – Appointment of a manager and custodian regulated by the Financial Services Authority (FSA), whose responsibilities are clearly defined in a written agreement.

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

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

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

- reviews the terms of the management agreement and receives regular reports from JPMAM's compliance department;
- reviews reports on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed; and
- reviews every six months an independent report on the internal controls and the operations of JPMAM.

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 30th September 2009, 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 continued

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 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
20th November 2009

Directors' Remuneration Report

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

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on page 27.

Directors' Remuneration[1]

Directors Name	2009 £	2008 £
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

[1]Audited information.

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

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

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

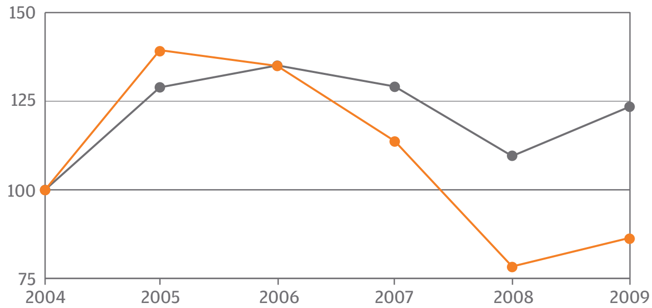
The Board reviews fees on a regular basis. Reviews are based on information provided by the Manager, JPMorgan Asset Management (UK) Limited, and industry research, on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally.

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, a Director's appointment will run for a three year term. A Director may then be invited by the Board to serve for a further three years. A Director's continuing appointment is subject to re-election by shareholders on retirement by rotation in accordance with the Company's Articles of Association, which require that one third of the Board must retire by rotation each year.

The Company does not operate any type of incentive or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not paid compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in connection with attending the Company's business.

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

Five Year Share Price and Benchmark Total Return Performance to 30th September 2009



Source: Morningstar/Datastream.

Share Price Total Return.

Benchmark Total Return.

By order of the Board
AK Norman, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
20th November 2009

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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors 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 net return 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
20th November 2009

Independent Auditors' Report

To the Members of The JPMorgan Japanese Investment Trust plc

We have audited the financial statements of JP Morgan Japanese Investment Trust plc for the year ended 30th September 2009 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. We have also audited the information in the Directors' Remuneration Report that is described as having been audited. The reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters that we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 26, the Directors are responsible for preparing the financial statements and the Directors' Remuneration Report and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30th September 2009 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion;

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by Exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

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

J Staines
Senior Statutory Auditor

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

20th November 2009

Income Statement

for the year ended 30th September 2009

	Notes	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Gains/(losses) on investments held at fair value through profit or loss	2	–	26,724	26,724	–	(125,374)	(125,374)
Net foreign currency losses		–	(3,077)	(3,077)	–	(1,610)	(1,610)
Income from investments	3	7,357	–	7,357	6,995	–	6,995
Other interest receivable and similar income	3	239	–	239	165	–	165
Gross return/(loss)		7,596	23,647	31,243	7,160	(126,984)	(119,824)
Management fee	4	(379)	(1,516)	(1,895)	(476)	(1,904)	(2,380)
VAT recoverable	4	345	3	348	–	–	–
Other administrative expenses	5	(441)	–	(441)	(486)	–	(486)
Net return/(loss) on ordinary activities before finance costs and taxation		7,121	22,134	29,255	6,198	(128,888)	(122,690)
Finance costs	6	(88)	(350)	(438)	(62)	(248)	(310)
Net return/(loss) on ordinary activities before taxation		7,033	21,784	28,817	6,136	(129,136)	(123,000)
Taxation	7	(1,955)	1,440	(515)	(956)	469	(487)
Net return/(loss) on ordinary activities after taxation		5,078	23,224	28,302	5,180	(128,667)	(123,487)
Return/(loss) per share	9	2.96p	13.54p	16.50p	2.97p	(73.78)p	(70.81)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 46 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

	Called up share capital £'000	Other reserve £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30th September 2007	44,176	166,791	4,786	210,645	5,372	**431,770**
Repurchase and cancellation of the Company's own shares	(676)	–	676	(5,291)	–	**(5,291)**
Net (loss)/return on 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**
Repurchase and cancellation of the Company's own shares	(1,037)	–	1,037	(5,878)	–	**(5,878)**
Net return on ordinary activities	–	–	–	23,224	5,078	**28,302**
Dividends appropriated in the year	–	–	–	–	(4,840)	**(4,840)**
At 30th September 2009	42,463	166,791	6,499	94,033	5,891	**315,677**

The notes on pages 32 to 46 form an integral part of these accounts.

Balance Sheet

at 30th September 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**339,669**	321,882
Current assets	11		
Debtors		**8,230**	8,929
Cash and short term deposits		**23,577**	35,333
		31,807	44,262
Creditors: amounts falling due within one year	12	**(55,799)**	(68,051)
Net current liabilities		**(23,992)**	(23,789)
Total assets less current liabilities		**315,677**	298,093
Total net assets		**315,677**	298,093
Capital and reserves			
Called up share capital	13	**42,463**	43,500
Other reserve	14	**166,791**	166,791
Capital redemption reserve	14	**6,499**	5,462
Capital reserves	14	**94,033**	76,687
Revenue reserve	14	**5,891**	5,653
Shareholders' funds		**315,677**	298,093
Net asset value per share	15	**185.9p**	171.3p

The accounts on pages 28 to 31 were approved and authorised for issue by the Directors on 20th November 2009 and were signed on their behalf by:

Jeremy Paulson-Ellis
Chairman

The notes on pages 32 to 46 form an integral part of these accounts.

Cash Flow Statement

for the year ended 30th September 2009

	Notes	2009 £'000	2008 £'000
Net cash inflow from operating activities	16	**5,508**	3,319
Returns on investments and servicing of finance			
Interest paid		**(447)**	(305)
Capital expenditure and financial investment			
Purchases of investments		**(478,664)**	(676,769)
Sales of investments		**474,938**	730,801
Other capital charges		**(10)**	(17)
Net cash (outflow)/inflow from capital expenditure and financial investment		**(3,736)**	54,015
Dividend paid		**(4,840)**	(4,899)
Net cash (outflow)/inflow before financing		**(3,515)**	52,130
Financing			
Repurchase and cancellation of the Company's own shares		**(4,695)**	(5,897)
Net repayment of loans		**(13,704)**	(11,090)
Net cash outflow from financing		**(18,399)**	(16,987)
(Decrease)/increase in cash and cash equivalents	17	**(21,914)**	35,143

The notes on pages 32 to 46 form an integral part of these accounts.

Notes to the Accounts

for the year ended 30th September 2009

1. Accounting policies

(a) Basis of accounting

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

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

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

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the investments are designated by the Company as 'held at fair value through profit or loss'. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value which is bid market price for listed investments.

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

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

(c) Income

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

Overseas dividends are shown gross of any withholding tax.

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

Stock lending income and interest receivable on deposits is taken to the revenue column of the income statement on an accruals basis

(d) Expenses

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

- management fees are allocated 20% to the revenue column and 80% to the capital column 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 the capital column. These expenses are commonly referred to as transaction costs and comprise mainly brokerage commission. Details of transaction costs are given in note 10 on page 37.

(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 the revenue column of the income statement and 80% to the capital column in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

(f) Financial instruments

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

Other 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.

(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. Sterling is also the currency in which the accounts are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates at the date of the transaction. 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 or losses 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 approved by shareholders.

(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 4 on page 34.

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

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

Notes to the Accounts continued

	2009 £'000	2008 £'000
2. Gains/(losses) on investments held at fair value through profit or loss		
Losses on investments held at fair value through profit or loss based on historical cost	**(35,194)**	(89,132)
Amounts recognised as investment holding losses in the previous year	**34,375**	4,464
Realised losses on sales of investments based on the carrying value at the previous balance sheet date	**(819)**	(84,668)
Net movement in investment holding gains or losses	**27,556**	(40,688)
Other capital charges	**(13)**	(18)
Total capital gains/(losses) on investments held at fair value through profit or loss	**26,724**	(125,374)

	2009 £'000	2008 £'000
3. Income		
Income from investments		
Dividends from investments listed overseas	**7,357**	6,995
Other interest receivable and similar income		
Deposit interest	**16**	16
Stock lending fees	**72**	149
Interest on VAT recoverable	**151**	–
	239	165
Total income	**7,596**	7,160

	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
4. Management fee						
Management fee[1]	**379**	**1,516**	**1,895**	476	1,904	2,380
VAT recoverable[2]	**(345)**	**(3)**	**(348)**	–	–	–
	34	**1,513**	**1,547**	476	1,904	2,380

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

[2]No VAT has been charged on management fees since November 2007 when HM Revenue & Customs announced acceptance that VAT was not chargeable on investment trust management fees. The Company has since recovered VAT amounting to £348,000 in respect of VAT paid in the past. This amount has been allocated between revenue and capital in the same proportions as it was originally expensed to revenue and capital. Interest amounting to £151,000 has also been received and allocated wholly to revenue in this year and is included within 'other interest receivable and similar income' in note 3 above.

	2009 £'000	2008 £'000
5. Other administrative expenses		
Other management expenses	321	366
Directors' fees[1]	98	98
Auditors' remuneration for audit services[2]	22	22
	441	486

[1]Full disclosure is given in the Directors' Remuneration Report on page 25.
[2]No other payments were made to the auditors (2008: same).

	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
6. Finance costs						
Interest on bank loans and overdrafts	88	350	438	62	248	310

7. Taxation

	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
(a) Analysis of tax charge for the year						
UK corporation tax at 28% (2008: 29%)	510	–	510	440	–	440
Double taxation relief	(510)	–	(510)	(440)	–	(440)
Overseas withholding tax	515	–	515	487	–	487
Tax attributable to expenses charged to capital	1,440	(1,440)	–	469	(469)	–
Current tax charge for the year	1,955	(1,440)	515	956	(469)	487

Notes to the Accounts continued

7. Taxation continued

	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
(b) Factors affecting current tax charge for the year						
Net return/(loss) on ordinary activities before taxation	**7,033**	**21,784**	**28,817**	6,136	(129,136)	(123,000)
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 28% (2008: 29%)	**1,969**	**6,100**	**8,069**	1,779	(37,449)	(35,670)
Effects of:						
Non taxable overseas dividends	**(822)**	**–**	**(822)**	–	–	–
Non taxable capital (returns)/loss)	**–**	**(6,621)**	**(6,621)**	–	36,825	36,825
Tax relief on capitalised expenses	**(521)**	**521**	**–**	(624)	624	–
Overseas withholding tax	**515**	**–**	**515**	487	–	487
Double taxation relief	**(510)**	**–**	**(510)**	(440)	–	(440)
Income taxed in different periods	**803**	**–**	**803**	(195)	–	(195)
Prior year charges utilised	**(919)**	**–**	**(919)**	(520)	–	(520)
Tax attributable to expenses charged to capital	**1,440**	**(1,440)**	**–**	469	(469)	–
Current tax charge for the year	**1,955**	**(1,440)**	**515**	956	(469)	487

The Company has an unrecognised deferred tax asset of £3,048,000 (2008: £3,220,000). 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 as it is not likely that this asset will be utilised in the foreseeable future.

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

8. Dividends

	2009 £'000	2008 £'000
(a) Dividends paid and proposed		
Dividend paid		
2008 final dividend of 2.8p[1] (2007: 2.8p)	**4,840**	4,899
Dividend proposed		
2009 final dividend of 2.8p (2008: 2.8p)	**4,756**	4,872

[1]The final dividend declared in respect of the year ended 30th September 2008 amounted to £4,872,000. However, the actual amount paid was £4,840,000 due to share repurchases after the balance sheet date but prior to the share register record date.

The final dividend proposed in respect of the year ended 30th September 2009 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 2010.

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

The proposed dividend of £4,756,000 (2008: £4,872,000) is the amount on which the requirements of S842 are considered. The revenue available for distribution by way of dividend is £5,078,000 (2008: £5,180,000).

9. Return/(loss) per share

The revenue return per share is based on the revenue earnings attributable to the ordinary shares of £5,078,000 (2008: £5,180,000) and on the weighted average number of shares in issue throughout the year of 171,541,388 (2008: 174,344,727).

The capital return per share is based on the capital earnings attributable to the ordinary shares of £23,224,000 (2008: losses of £128,667,000) and on the weighted average number of shares in issue throughout the year of 171,541,388 (2008: 174,344,727).

The total return per share is based on the total earnings attributable to the ordinary shares of £28,302,000 (2008: losses of £123,487,000) and on the weighted average number of shares in issue throughout the year of 171,541,388 (2008: 174,344,727).

	2009 £'000	2008 £'000
10. Investments		
Investments listed on a recognised investment exchange	**339,669**	321,882
Opening book cost	**361,985**	488,937
Opening investment holding losses	**(40,103)**	(3,879)
Opening valuation	**321,882**	485,058
Movements in the year:		
Purchases at cost	**465,703**	674,470
Sales - proceeds	**(474,653)**	(712,290)
Losses on sales of investments based on the carrying value at the previous balance sheet date	**(819)**	(84,668)
Net movement in investment holding gains or losses	**27,556**	(40,688)
	339,669	321,882
Closing book cost	**317,841**	361,985
Closing investment holding gains/(losses)	**21,828**	(40,103)
Total investments held at fair value	**339,669**	321,882

Transaction costs on purchases during the year amounted to £310,000 (2008: £533,000) and on sales during the year amounted to £312,000 (2008: £596,000). These costs comprise mainly brokerage commission.

During the year, prior year unrealised losses amounting to £34,375,000 have been transferred to realised losses as disclosed in note 14 on page 39.

Notes to the Accounts continued

	2009 £'000	2008 £'000
11. Current assets		
Debtors		
Securities sold for future settlement	**5,943**	6,228
Dividends and interest receivable	**2,257**	2,666
Other debtors	**30**	35
	8,230	8,929

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

Cash and short term deposits

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

	2009 £'000	2008 £'000
12. Creditors: amounts falling due within one year		
Bank loans	**52,375**	52,844
Securities purchased for future settlement	**2,127**	15,088
Other creditors and accruals	**76**	81
Repurchase of the Company's own shares for future settlement	**1,221**	38
	55,799	68,051

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

The £52.4 million (2008: £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. Further details are given in note 20 on page 43.

	2009 £'000	2008 £'000
13. Share capital		
Authorised		
444,800,000 (2008: 444,800,000) shares of 25p each	**111,200**	111,200
Allotted and fully paid		
Shares of 25p each		
Opening balance of 174,001,919 (2008: 176,703,919) shares	**43,500**	44,176
Repurchase of 4,150,841 (2008: 2,702,000) shares for cancellation	**(1,037)**	(676)
Closing balance[1]	**42,463**	43,500

[1]Represented by 169,851,078 (2008: 174,001,919) shares of 25p each.

During the year, the Company repurchased 4,150,841 shares, nominal value £1,037,000, for cancellation, representing 2.4% of the issued shares at the beginning of the year, for a total consideration of £5,878,000. The reason for the purchases was to reduce the volatility of the share price discount to net asset value.

14. Reserves

	Other reserve £'000	Capital redemption reserve £'000	Capital reserves: Gains and losses on sales of investments £'000	Capital reserves: Holding gains and losses on investments £'000	Capital reserves: Capital reserve – unrealised £'000	Revenue reserve £'000
Opening balance	166,791	5,462	118,848	(40,103)	(2,058)	5,653
Realised exchange gains on cash and short term deposits	–	–	10,158	–	–	–
Unrealised exchange losses on foreign currency loans	–	–	–	–	(6,908)	–
Realised exchange losses on foreign currency loans	–	–	(6,327)	–	–	–
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	(819)	–	–	–
Net movement in investment holding gains or losses	–	–	–	27,556	–	–
Transfer on disposal of investments	–	–	(34,375)	34,375	–	–
Repurchase of the Company's own shares for cancellation	–	1,037	(5,878)	–	–	–
Management fee and finance costs charged to capital	–	–	(1,866)	–	–	–
VAT recoverable	–	–	3	–	–	–
Transfer of unrealised exchange losses on foreign currency loans repaid in the year	–	–	(1,441)	–	1,441	–
Tax attributable to expenses charged to capital	–	–	1,440	–	–	–
Other capital charges	–	–	(13)	–	–	–
Net revenue for the year	–	–	–	–	–	5,078
Dividends appropriated in the year	–	–	–	–	–	(4,840)
Closing balance	**166,791**	**6,499**	**79,730**	**21,828**	**(7,525)**	**5,891**

15. Net asset value per share

The net asset value per share is based on the net assets attributable to the ordinary shareholders of £315,677,000 (2008: £298,093,000) and on the 169,851,078 (2008: 174,001,919) shares in issue at the year end.

16. Reconciliation of total return/(loss) on ordinary activities before finance costs and taxation to net cash inflow from operating activities

	2009 £'000	2008 £'000
Net total return/(loss) on ordinary activities before finance costs and taxation	**29,255**	(122,690)
Add back capital (return)/loss before finance costs and taxation	**(22,134)**	128,888
Decrease/(increase) in accrued income	**409**	(623)
Decrease in other debtors	**5**	159
Increase/(decrease) in accrued expenses	**4**	(24)
Overseas taxation	**(515)**	(487)
Expenses charged to capital	**(1,516)**	(1,904)
Net cash inflow from operating activities	**5,508**	3,319

Notes to the Accounts continued

	At 30th September 2008 £'000	Cash flow £'000	Other movements £'000	At 30th September 2009 £'000
17. Analysis of changes in net (debt)/funds				
Cash and short term deposits	35,333	(21,914)	10,158	**23,577**
Bank loans falling due within one year	(52,844)	13,704	(13,235)	**(52,375)**
Net (debt)/funds	(17,511)	(8,210)	(3,077)	**(28,798)**

18. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date (2008: £nil).

19. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on pages 17 and 18. The management fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year was £1,895,000 (2008: £2,380,000) of which £nil (2008: £nil) was outstanding at the year end.

Included in other management expenses in note 5 on page 35 are safe custody fees amounting to £44,000 (2008: £56,000) payable to JPMorgan Chase as custodian of the Company of which £nil (2008: £14,000) 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 £78,000 (2008: £181,000) of which £nil (2008: £7,000) 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 £13,000 (2008: £18,000) of which £4,000 (2008: £5,000) was outstanding at the year end.

At the year end, a bank balance of £820,000 (2008: £48,000) was held with JPMorgan Chase. A net amount of interest of £16,000 (2008: £8,000) was receivable by the Company during the year from JPMorgan Chase.

Stock lending fees amounting to £72,000 (2008: £149,000) were receivable during the year. JPMAM commissions in respect of such transactions amounted to £15,000 (2008: £37,000).

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 the Features page. In pursuing this objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends. These risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management.

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

The Company's financial instruments may comprise the following:

- investments in equity shares of Japanese companies which are held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from its operations; and
- a floating rate loan facility with 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 and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Currency risk

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

Management of currency risk

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

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.

	2009 Yen £'000	2008 Yen £'000
Current assets	**31,650**	44,175
Creditors	**(54,502)**	(67,932)
Foreign currency exposure on net monetary items	**(22,852)**	(23,757)
Investments held at fair value through profit or loss that are equities	**339,669**	321,882
Total net foreign currency exposure	**316,817**	298,125

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

Notes to the Accounts continued

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

Foreign currency sensitivity

The following tables illustrate the sensitivity of profit after taxation for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and assumes a 10% (2008: 10%) appreciation or depreciation in sterling against the Yen, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

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

	2009 £'000	2008 £'000
Income statement return after taxation		
Revenue return	**226**	267
Capital return	**(2,285)**	(2,643)
Total return after taxation for the year	**(2,059)**	(2,376)
Net assets	**(2,059)**	(2,376)

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

	2009 £'000	2008 £'000
Income statement return after taxation		
Revenue return	**(226)**	(267)
Capital return	**2,285**	2,643
Total return after taxation for the year	**2,059**	2,376
Net assets	**2,059**	2,376

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 periods and therefore exposure to interest rate risk is not significant.

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.

	2009 £'000	2008 £'000
Exposure to floating interest rates:		
Cash and short term deposits	**23,577**	35,333
Creditors: amounts falling due within one year		
– borrowings on the loan facility	**(52,375)**	(52,844)
Total exposure	**(28,798)**	(17,511)

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

The Company has a Yen 10.0 billion loan facility with Lloyds TSB which expires in August 2010. 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 lender's cost of complying with certain regulatory requirements. At 30th September 2009 the Company had drawn down Yen 7.5 billion (£52.4 million) on this facility at an interest rate of 0.7%, repayable on 26th October 2009.

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.

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

	2009 £'000	2008 £'000
Maximum debit interest rate exposure to floating rates – net loan balances	**(44,623)**	(62,135)
Maximum credit interest rate exposure to floating rates – net cash balances	**11,614**	3,927

Interest rate sensitivity

The following table illustrates the sensitivity of the revenue after taxation for the year and net assets to a 1% (2008: 1%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date, with all other variables held constant.

	2009		2008	
	1% increase in rate £'000	1% decrease in rate £'000	1% increase in rate £'000	1% decrease in rate £'000
Income statement – return after taxation				
Revenue return	**131**	**(131)**	248	(248)
Capital return	**(419)**	**419**	(423)	423
Total return after taxation for the year	**(288)**	**288**	(175)	175
Net assets	**(288)**	**288**	(175)	175

Notes to the Accounts continued

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

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. The highest amount drawn down on the loan facility during the year amounted to Yen 7.5 billion (£52.4 million) and the interest rate on these drawings fluctuated between 0.7% and 1.5%.

(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:

	2009 £'000	2008 £'000
Equity investments held at fair value through profit or loss	**339,669**	321,882

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 revenue after taxation for the year and net assets to an increase or decrease of 10% (2008: 10%) in the fair value of the Company's equities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities and adjusting for change in the management fee, but with all other variables held constant.

	2009		2008	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	**(44)**	**44**	(42)	42
Capital return	**33,790**	**(33,790)**	32,021	(32,021)
Total return after taxation for the year and net assets	**33,746**	**(33,746)**	31,979	(31,979)

(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 43.

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:

	2009 Three months or less £'000	2008 Three months or less £'000
Creditors: amounts falling due within one year		
Bank loans	**52,375**	52,844
Securities purchased for future settlement	**2,127**	15,088
Other creditors and accruals	**76**	81
Repurchase of the Company's own shares for future settlement	**1,221**	38
	55,799	68,051

(c) Credit risk

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

Management of credit risk

Portfolio dealing

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

Cash

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

Exposure to JPMorgan Chase

The Company's assets are clearly ring-fenced in client designated accounts. Therefore, in the event that JPMorgan Chase were to cease trading, these assets would be protected.

Credit risk exposure

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

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

Notes to the Accounts continued

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

There were no securities on loan at 30th September 2009 (2008. 21,602,000). The highest value of securities on loan during the year ended 30th September 2009 amounted to £7,594,000 (2008 £37,114,000). Collateral is obtained by JPMorgan Asset Management and is called in on a daily basis to a value of 102% of the value of the securities on loan if that collateral is denominated in the same currency as the securities on loan and 105% if it is in a different currency. Collateral acceptable under the Stock Lending Agreement may comprise: cash in sterling, euros or US dollars, Eurozone government securities, UK government securities. or US government securities.

(d) Fair values of financial assets and financial liabilities

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

21. Capital management policies and procedures

Company's capital comprises the following:

	2009 £'000	2008 £'000
Debt		
Short term loan	**52,375**	52,844
Equity		
Share capital	**42,463**	43,500
Reserves	**273,314**	254,593
	315,677	298,093
Total debt and equity	**368,052**	350,937

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

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

	2009 £'000	2008 £'000
Investments	**339,669**	321,882
Total net assets	**315,677**	298,093
Gearing	**107.6%**	108.0%

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

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

Shareholder Analysis

at 30th September 2009

	Number of shares	% Holding
Other Institutions	33,674,047	19.8
Pension Funds	31,200,341	18.4
Unit Trusts	29,348,536	17.3
Investment Trusts[1]	13,700,488	8.1
Insurance	6,941,391	4.1
Charities	876,449	0.4
Hedge Funds	525,000	0.3
Foreign Government	78,406	0.1
Total Institutions	**116,344,658**	**68.5**
Private Client Brokers	24,414,695	14.4
Retail Investors[2]	22,107,041	13.0
Individuals in the Investment Trust Shareplan[3]	5,031,422	3.0
Individuals in the Investment Trust Individual Savings Account[3]	1,107,314	0.6
Individuals in the Investment Trust Pension Account[3]	845,948	0.5
Total Retail Holdings	**53,506,420**	**31.5**
Total Shares in issue	**169,851,078**	**100.0**

[1]Includes 3,571,367 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 eighty first Annual General Meeting of JPMorgan Japanese Investment Trust plc will be held at Trinity House, Tower Hill, London EC3N 4DH on 17th December 2009 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 2009.

2 To approve the Directors' Remuneration Report for the year ended 30th September 2009.

3 To approve a final dividend of 2.8p per share.

4 To re-elect Andrew Fleming as a Director of the Company.

5 To re-elect Keith Percy 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 551 of the Companies Act 2006 (the 'Act') to exercise all the powers for the Company to allot relevant securities (within the meaning of Section 551 of the Act) up to an aggregate nominal amount of £2,075,700, 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 2010 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 570 of the Companies Act 2006 (the 'Act') to allot equity securities (within the meaning of Section 560(1) of the Act) pursuant to the authority conferred by Resolution 8 or by way of a sale of Treasury shares as if Section 560(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £2,075,700, 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 2010 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 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of its issued ordinary shares of 25 pence each in the capital of the Company

PROVIDED ALWAYS THAT

(i) the maximum number of ordinary shares hereby authorised to be purchased shall be 24,891,806 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 16th June 2011 unless the authority is renewed at the Company's Annual General Meeting in 2010 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

(i) the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of Section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and

(ii) the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

By order of the Board
AK Norman, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
20th November 2009

Notes

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

1. A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person. If you attend the Meeting in person, your proxy appointment will automatically be terminated.
3. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form.
4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
5. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. two 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. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.

6. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.

7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

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

8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.

9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.

10. Under sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

11. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

12. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.jpmjapanese.co.uk.

13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting. No Director has any contract of service with the Company.

14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.

15. As at 19th November 2009 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 166,056,078 Ordinary shares carrying one vote each. Therefore the total voting rights in the Company are 166,056,078.

Electronic appointment – CREST members

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

Appendix

The Companies Act 2006 (the '2006 Act'), which is replacing the Companies Act 1985 (the '1985 Act') has been implemented in stages but is fully in force from 1st October 2009. In addition, the Shareholders' Rights Regulations which amend certain provisions of the 2006 Act relating to meetings of the Company came into force in August 2009. Under Resolution 10, the Company is adopting new Articles of Association (the 'Articles') which will reflect the changes in company law brought about by the Shareholders' Rights Regulations and by the provisions of the 2006 Act which came into effect on or before 1st October 2009. The Articles also include some other modernising and clarifying amendments, including, where appropriate, adopting the wording of the new model form articles for public companies contained in Schedule 3 to the Companies (Model Articles) Regulations 2008 (the 'model form articles'), which are replacing the Table A articles under the 1985 Act on which many of the Company's current articles are based. Set out below is a summary of the principal changes.

1. The Company's objects

The 2006 Act significantly reduces the constitutional significance of a company's memorandum. The provisions governing the operations of the Company are currently set out in both its memorandum of association and its articles of association. Under the 2006 Act, the memorandum no longer contains an objects clause and simply records the names of the subscribers and the number of shares which each subscriber agreed to take in the Company. Under section 28 of the 2006 Act, the objects clause and all other provisions in the memorandum are treated as part of the articles with effect from 1st October 2009 but the Company can remove these provisions by special resolution. Unless the articles provide otherwise, the Company's objects will be unrestricted. The Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, are treated as forming part of the Company's articles of association as of 1st October 2009. Resolution 10 confirms the removal of these provisions and adopts the new Articles.

2. Limited liability (Article 3)

Under the 2006 Act, the memorandum of association also no longer contains a clause stating that the liability of the members of a company is limited. For existing companies, this statement is automatically treated as having moved into the articles on 1st October 2009. As noted in paragraph 1 above, Resolution 10 confirms the removal, from the Company's articles of association, of the provisions of the Company's memorandum of association which are treated as forming part of the Company's articles of association by virtue of Section 28 of the 2006 Act, which includes the statement of limited liability. An explicit statement of the members' limited liability is therefore included in the new Articles.

3. Authorised share capital and unissued shares

The 2006 Act abolishes the concept of authorised share capital and under the 2006 Act, the memorandum of association no longer contains a statement of the Company's authorised share capital. For existing companies, this statement is deemed to be a provision of the Company's articles of association setting out the maximum amount of shares that may be allotted by the Company. The adoption of the new Articles by the Company will have the effect of removing this provision relating to the maximum amount. Directors will still need to obtain the usual shareholders' authorisation in order to allot shares.

References to authorised share capital and to unissued shares have therefore been removed from the new Articles.

4. Redeemable shares (Article 5)

Under the 2006 Act, the articles of association need not include the terms on which redeemable shares may be redeemed. The Directors may determine the terms, conditions and manner of redemption of redeemable shares provided they are authorised to do so by the articles. The new Articles contain such authorisation.

5. Share certificates (Article 12)

The new Articles contain new provisions for the issue of consolidated share certificates, in line with the model form articles.

6. Transfer of shares (Articles 30 and 31)

The provision which gave the ability to suspend the registration of transfers of shares for periods not exceeding 30 days in any one year has been removed from the new Articles as there is no ability under the 2006 Act to close the register.

7. Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital (Article 40)

Under the 1985 Act, a company required specific authorisations in its articles of association to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital. Under the 2006 Act, public companies do not require specific authorisations in their articles of association to undertake these actions; but shareholder authority is still required. Amendments have been made to the new Articles to reflect these changes.

Appendix continued

8. Participation in meetings at different places and by electronic means (Article 51)

Amendments made to the 2006 Act by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The new Articles include amendments to provide greater scope for members to participate in meetings of the Company even if they are not present in person at the principal place where the meeting is being held. The amendments allow for members to participate not only by attendance at satellite meeting locations, but also by any other electronic means of participation.

9. Adjournments (Article 53)

The Shareholders' Rights Regulations add a provision to the 2006 Act which requires that, when a general meeting is adjourned due to lack of quorum, at least ten days' notice must be given to reconvene the meeting. The new Articles include amendments to the provisions dealing with notice of adjourned meetings to make them consistent with this new requirement.

10. Removal of chairman's casting vote

Pursuant to changes brought about by the Shareholders' Rights Regulations, a traded company is no longer permitted to allow the chairman to have a casting vote in the event of an equality of votes. Accordingly, this provision has been removed in the new Articles.

11. Voting rights (Article 62)

The Shareholders' Rights Regulations clarify the various powers of proxies and representatives of corporate members in respect of resolutions taken on a show of hands. Where a proxy has been duly appointed by one member, he has one vote on a show of hands unless he has been appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been appointed by more than one member to vote for the resolution and by more than one member to vote against the resolution. Where a corporate member appoints representatives to attend meetings on its behalf, each representative duly appointed by a corporate member has one vote on a show of hands. The new Articles contain provisions which clarify these rights and also clarify how the provisions giving a proxy a second vote on a show of hands should apply to discretionary powers.

12. Voting record date (Article 63)

The new Articles include a new provision which was not previously in the Company's articles of association, dealing with the method for determining which persons are allowed to attend or vote at a general meeting of the Company and how many votes each person may cast. Under this new provision, when convening a meeting the Company may specify a time, not more than 48 hours before the time of the meeting (excluding any part of a day that is not a working day), by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting. This new provision is in line with a requirement for listed companies introduced by the Shareholders' Rights Regulations.

13. Validity of votes (Article 67)

Following the implementation of the Shareholders' Rights Regulations, proxies are expressly required to vote in accordance with instructions given to them by members. The new Articles contain a provision stating that the Company is not required to enquire whether a proxy or corporate representative has voted in accordance with instructions given to him and that votes cast by a proxy or corporate representative will be valid even if he has not voted in accordance with his instructions.

14. Termination of proxy authority (Article 73)

Article 73 provides that the termination of a proxy's authority should be in writing as this is required by the Shareholders' Rights Regulations.

15. Corporate representatives (Article 75)

The new Articles provide that the Company can require a corporate representative to produce a certified copy of the resolution appointing him before permitting him to exercise his powers.

16. Retirement of directors by rotation (Articles 81 and 82)

The new Articles have been redrafted in order to make it clearer and to ensure (as far as possible) a regular number of retiring directors each year, with the number to retire being the number nearest to one-third of the board. Article 81 continues to comply with Combined Code provision A.7.1 which recommends that all directors should be subject to re-election at intervals of no more than three years. New Article 82 requires any non-executive director (other than the chairman) who has held office for nine years or more to put himself up for re-election at each annual general meeting. This is in line with Combined Code provision A.7.2.

17. Alternate directors (Articles 88, 90 and 94)

Article 88 now clarifies that an alternative director is entitled to be paid expenses (but not directors' fees). Article 90 is a new provision which effectively applies the provisions of Article 86, regarding removal of directors, to alternate directors. Article 92(c) makes it clear that an alternate is subject to the same restrictions as the director who appointed him.

18. Borrowing powers (Article 94)

A number of presentational and descriptive amendments have been made to the borrowing powers provision:

(i) Article 94(1)(a) – a reference has been added to amounts "credited as paid up" on share capital to clarify that these should be included as well as amounts actually paid up.

(ii) Article 94(1)(b) – this has been amended to refer to total of "any credit balance on the distributable and undistributable reserves of the Group", to clarify that all reserves of the Group will be relevant for the calculation and to reflect the language used by those preparing the accounts. The reference to "including share premium account, capital redemption reserve and credit balance on the profit and loss account reserve" has therefore been deleted.

(iii) Article 94(1) – the last paragraph has been amended to allow the company also to adjust for variations in its capital redemption reserve since the balance sheet date as the directors may reasonably consider to be appropriate.

(iv) Articles 94(1)(a) and 94(3)(e) – additional wording has been included to clarify how any preference shares that might be issued should be treated for the purposes of the borrowing powers. Under IFRS and UK GAAP preference shares are now treated as a debt on a company's balance sheet, rather than equity. The additional wording included in Articles 94(1)(a) and 94(3)(e) reflects this accounting treatment. The effect of this wording is to *exclude* the amount of any preference share capital from the calculation of the Company's share capital and reserves and to *include* such amount in the calculation of the Company's borrowings.

19. Delegation to persons or committees (Article 95)

Article 95 follows the new, simplified approach to delegation adopted in the model form articles, allowing the directors to delegate as they decide appropriate.

20. Directors' appointments, interests and conflicts of interest (Article 100)

Article 100, which is the provision for dealing with conflicts in our current articles, 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 provided that he has disclosed his interest in accordance with the articles and the provisions of the Acts, has been amended so that it 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 falls within the situations covered by Article 100.

21. Procedures regarding board meetings & resolution in writing (Articles 102 & 105)

The provisions of Article 102 have been amended to make it clear that notice of a board meeting may be given personally, by telephone, in hard copy or in electronic form. The requirements for giving notice to directors who are not in the United Kingdom have also been clarified. In order to clarify the procedure for written resolutions of directors, Article 105 has been amended so that, rather than referring to a resolution in writing by all directors, a resolution in writing will be valid and effectual as if it had been passed at a meeting if executed by all the directors entitled to receive notice of the meeting and who would have been entitled to vote (and whose vote would have been counted) on a resolution at a meeting.

22. Quorum (Article 106)

The proposed amendment to Article 106, which deals with the quorum requirement for board meetings, clarifies that a director cannot count in the quorum for a matter or resolution on which he is not entitled to vote (or when his vote cannot be counted) but he may count in the quorum for the other matters or resolutions to be considered or voted on at the meeting.

23. Permitted interests and voting (article 107)

Article 107 has been amended to allow a director to vote on a resolution which relates to giving him an indemnity or funding for expenditure incurred in defending proceedings provided all the other directors have been given or are to be given arrangements on substantially the same terms. This exception has become a common exception for listed companies to include.

24. The seal (Articles 136 and 137)

Article 136 provides that instruments (other than share certificates) to which the seal is affixed shall be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors.

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

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

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

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

Actual Gearing Factor
Investments expressed as a percentage of shareholders' funds. This shows the effect of gearing on the net asset value if the market value of the portfolio were to increase by 100%.

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

Share Price Discount/Premium to Net Asset Value
If the share price of an investment company is lower than the NAV per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV. The opposite of a discount is a premium. It is more common for an investment company's shares to trade at a discount than at a premium.

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

Performance Attribution Definitions:

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

Stock Selection
Measures the effect of investing in securities/sectors to a greater or lesser extent than their weighting in the benchmark, or of investing in securities 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.

VAT Recovery
In 2007, HM Revenue & Customs announced acceptance that VAT was not chargeable on investment trust management fees. The Company has since been able to recover VAT on management fees paid in the past.

Notes

Notes

Information about the Company

Financial Calendar

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

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

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

Market Information
The Company's net asset value ('NAV') is published daily via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman, The Independent and on the JPMorgan internet site at www.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 Company Secretary
JPMorgan Asset Management (UK) Limited

Company's Registered Office
Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ
Telephone: 020 7742 6000

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

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

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

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

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

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

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

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