



JPMorgan Japan Small Cap Growth & Income plc

Providing income without compromising
on Japanese growth opportunities

Annual Report & Financial Statements
for the year ended 31st March 2022

Key Features

Investment Objective

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

Investment Policy

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

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

Dividend Policy

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

Benchmark

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

Company Name and Ticker

Reflecting the Company's now established dividend policy, the Company changed its name to JPMorgan Japan Small Cap Growth & Income plc with effect from 16th December 2020. Following the change of name, the Company also changed its London Stock Exchange stock ticker symbol (TIDM) from JPS to JSGL, with effect from 17th December 2020. The Company's ISIN, SEDOL and LEI remain unchanged and its website URL was renamed www.jpmmjapanasmallcapgrowthandincome.co.uk.

Capital Structure

As at 31st March 2022, the Company's issued share capital comprised 55,944,560 Ordinary shares of 10p each, of which 1,434,221 were held in Treasury.

Currency

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

Management Company and Company Secretary

The Company has engaged JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager ('AIFM') and Company Secretary. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management (Japan) Limited through JPMorgan Asset Management (UK) Limited.

Association of Investment Companies ('AIC')

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

Website

The Company's website can be found at www.jpmmjapanasmallcapgrowthandincome.co.uk and includes useful information about the Company, such as daily prices, factsheets and current and historic half year and annual reports.



“ We look to identify innovative, quality companies which can compound growth over the long-term within the Japan small cap universe. With over 20 investment professionals on the ground in Tokyo, we offer expertise and in-depth knowledge in what is a very under-researched and under-appreciated market, allowing us to identify hidden gems with strong competitive positions.”

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

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

Providing income without compromising on Japanese growth opportunities

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

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

Our heritage and our team

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

The team has been managing Japan equities mandates in Tokyo since 1969 and the Company's current investment team has an average of 13 years' experience with the firm and 18 years' experience in the industry. They are supported by JPMorgan Asset Management's extensive resources around the world.

Our investment approach

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

4%

Pays 4% of average NAV
per annum as dividends

26

Investment
professionals in Japan

4,000+

Japanese company
meetings each year

400

Approximate number of
stocks covered

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Financial Highlights

Total returns (including dividends reinvested) to 31st March

	2022	2021	3 years	5 years
Return to shareholders ^{1,A}	-23.3%	+47.9%	+11.6%	+28.6%
Return on net assets ^{2,A}	-24.6%	+42.4%	+4.0%	+22.4%
Benchmark return ³	-8.1%	+21.7%	+4.4%	+9.6%
Annual dividend	20.3p	21.9p		

¹ Source: Morningstar.

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

³ Source: Morningstar. The Company's benchmark is the MSCI Japan Small Cap Index (in sterling terms). Prior to 1st April 2021, the Company's benchmark was the S&P Japan SmallCap NR (in Sterling terms).

^A Alternative Performance Measure.

A glossary of terms and Alternative Performance Measures is provided on pages 94 and 95.

Financial Highlights

Summary of results

	2022	2021	% change
Total returns (including dividends reinvested) for the year ended 31st March			
Return to shareholders ^{1,A}	-23.3%	+47.9%	
Return on net assets ^{2,A}	-24.6%	+42.4%	
Benchmark return ³	-8.1%	+21.7%	
Net asset value, share price and discount as at 31st March			
Net asset value per share ^A	397.6p	550.0p	-27.7
Share price	368.0p	502.0p	-26.7
Share price discount to net asset value per share ^A	7.4%	8.7%	
Shareholders' funds (£'000)	216,737	299,818	-27.7
Shares in issue, excluding shares held in Treasury	54,510,339	54,510,339	
Revenue for the year ended 31st March			
Gross revenue return (£'000)	3,855	3,526	+9.3
Net revenue return/(loss) (£'000)	331	(31)	n/a
Revenue/(loss) per share	0.61p	(0.06)p	n/a
Dividend per share	20.3p	21.9p	-7.3
Gearing as at 31st March^A	6.1%	8.1%	
Ongoing charges^A	1.06%	1.02%	

¹ Source: Morningstar.

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

³ Source: Morningstar. The Company's benchmark is the MSCI Japan Small Cap Index (in sterling terms). Prior to 1st April 2021, the Company's benchmark was the S&P Japan SmallCap NR (in Sterling terms).

^A Alternative Performance Measure.

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Chairman's Statement



Alexa Henderson
Chairman

Investment Performance

Despite a positive first half, the financial year ended 31st March 2022 proved a challenging one for the Company. Performance in the first six months of the year was strong, supported by an improvement in Japan's economic outlook as the pandemic's grip on activity loosened. The Company returned +7.2% (in GBP) on an NAV basis over the half year, outperforming the benchmark, the MSCI Japan Small Cap Index, which returned +4.9%. However, performance worsened in the second half of the year, with the Company returning -24.6% on an NAV basis for the full year, compared to a benchmark return of -8.1%. The Company's return to shareholders was -23.3% over the same period.

This underperformance was the result of the portfolio's focus on quality and growth stocks. As in other major markets, high growth stocks, especially in the technology sector, were hit especially hard as investors focused on rising interest rates, spiralling inflation and the tragic events in Ukraine and tended to ignore the fundamental operational performance of businesses. Japanese growth stocks were caught up in this sell-off, even though inflation in Japan remains very low and the Bank of Japan is unlikely to raise interest rates in the foreseeable future.

It is useful to put the Company's latest results into a broader context. The Company's stock picking approach combined with a quality and growth bias means the portfolio tends to differ significantly from the benchmark, which is home to many low-quality companies. So it is therefore not unexpected that the performance will vary significantly from the benchmark. The Manager remains confident however that their bottom-up approach of focusing on good quality companies with strong growth prospects will always win out over the longer term despite temporary periods of underperformance. The Company has weathered previous bouts of short-term underperformance, while in years when growth stocks do well, the portfolio has outperformed. The prior financial year ended 31st March 2021 was one such year, which saw the portfolio deliver very strong absolute returns of over 40% in NAV terms, and outperformance against the benchmark of more than 20 percentage points. Whilst the Board and Manager share concerns over the poor results over the last six months, it is important not to lose sight of longer term performance. The Company's track record of significant absolute gains, and outperformance, over periods of five years and more, attests to the effectiveness of its investment approach in delivering meaningful gains to patient investors over the long term.

The Company's investment record and recent portfolio activity are explained in more depth in the Investment Managers' Report. They also outline the themes they expect will drive Japan's equity markets over the medium-term, and the reasons for their optimism about the Company's long-term prospects.

Dividend Policy and Discount Management

The Company's revised dividend policy has now been in place for four years. As a reminder, the dividend policy aims to pay, in the absence of unforeseen circumstances, a regular dividend equal to 1% of the Company's NAV on the last business day of the preceding financial quarter, being the end of March, June, September and December. Over the year, this would approximate to 4% of the average NAV. This dividend is paid from other reserves. For the year ended 31st March 2022, quarterly dividends paid totalled 20.3p per share (2021: 21.9p).

One of the objectives of the revised dividend policy is to enhance the Company's appeal to a broader range of investors. Since its introduction, it has therefore been pleasing to note some narrowing of the Company's discount, driven by new demand, some favourable press coverage and positive absolute and relative longer-term performance. Over the review period, the Company's discount remained relatively stable, ending the period at 7.4%, lower than the 8.7% at the same time last year, and 11.9% two years ago.

The Company did not repurchase any shares during the year. However, the Board continues to monitor the discount closely and is prepared to repurchase shares to narrow the discount, when it considers this is appropriate, taking account of market conditions. At the time of writing, the discount is 4.96%.

A resolution to approve the Company's dividend policy will be put to shareholders at the forthcoming Annual General Meeting.

Chairman's Statement

Manager Changes

In January 2022, the Board was informed by its Manager that Eiji Saito, the Company's lead portfolio manager, would be leaving JPMorgan after 18 years' service to return to university and pursue a degree in law. The Board worked closely with the Manager to oversee and agree on the proposed changes to the investment management team.

Miyako Urabe has replaced Eiji as the lead manager of the Company and the JPMorgan Asset Management's Japan Small/Mid Cap strategy. Miyako has spent 14 years within the industry, including nine at JPMorgan, having joined the Japanese Equities team in 2013. Xuming Tao, who is also a small cap specialist fund manager, has joined Miyako as a portfolio manager of the Company. Xuming has spent nine years in the industry and three years with JPMorgan. Naohiro Ozawa continues as a portfolio manager of the Company, working alongside Miyako and Xuming. Naohiro has spent 16 years in the industry, 14 years with JPMorgan and four years managing the Company. Michiko Sakai has left the team to focus on the JPM Japan sustainable strategy responsibilities.

There has been no change to the Company's investment objectives, or its investment and dividend policies, as a result of these changes. The three portfolio managers will continue to work as part of the highly experienced team in Tokyo who have been managing Japanese equities mandates since 1969. They are supported by JPMorgan Asset Management's extensive resources around the world.

The Board would like to thank Eiji for his contribution to the management of the Company over the past five years. It looks forward to working with the portfolio management team and welcomes the new co-managers, Miyako and Xuming.

Gearing/Borrowing

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

The Company has a revolving credit facility of Yen 4.0 billion (with an option to increase available credit to Yen 6.0 billion) with Scotiabank, which was fully drawn at the year-end. The loan facility is on favourable and flexible terms, allowing the Company to repay the loan if required, without any penalties. This facility has a maturity date of October 2022 and the Managers will seek to renew or replace this facility, at the best available terms, on expiry.

Access to a credit facility provides the Managers with the ability to gear tactically within the set guidelines. The Company's investment policy permits gearing within a range of 10% net cash to 25% geared. However, the Board requires the Managers to operate in the narrower range of 5% net cash to 15% geared, in normal market conditions. During the 12 months of the review period the Company's gearing level ranged between 5.7% and 11.5%, ending the financial year at 6.1% (2021: 8.1%).

Environmental, Social and Governance Issues

As reported in the Investment Managers' Report, environmental, social and governance ('ESG') considerations are integral to the Managers' investment process. The Board shares the Managers' view of the importance of ESG when making investments that are sustainable over the long term, and the necessity of continual engagement with investee companies throughout the duration of the investment. The Managers use their regular company meetings with potential and existing portfolio companies to discuss and challenge management on their adherence to ESG principles and best practice. The Board believes that effective stewardship can help to create sustainable value for shareholders.

The war in Ukraine is an immense humanitarian tragedy which we hope will end soon. While its impact on global financial markets has been significant, it has had no direct impact on the Company, as none of its portfolio holdings has any exposure to either the Russian or Ukrainian markets.

Further information on the Manager's ESG process and engagement is set out in the ESG Report on pages 18 to 23 of this Annual Report.

Chairman's Statement

The Board and Corporate Governance

There has been no change to the composition of the Board during the reporting period. Following the Board's annual evaluation by the Nomination Committee, the Committee felt that the Board's current composition and size are appropriate. The Board has a plan to refresh its membership in an orderly manner over time. As part of its long-term succession planning, and to ensure continuity, the Board will seek to recruit new non-executive Directors when current members approach retirement.

The Board supports annual re-election for all Directors, as recommended by the AIC Code of Corporate Governance, and all Directors will therefore stand for re-election at the forthcoming Annual General Meeting. Shareholders who wish to contact the Chairman or other members of the Board may do so through the Company Secretary or the Company's website, details of which appear below.

Auditor Review

The last formal exercise of audit tender was undertaken in 2014, when Grant Thornton was appointed. The Company's financial year ended 31st March 2021 was the last of a five-year tenure of Grant Thornton's audit partner, Marcus Swales, and a new partner was expected to take over.

However, the Board took the view that this change provided an opportune moment to review the Company's audit arrangements as a matter of good governance. The Board also felt that a review would give the Directors the chance to survey the market and ensure that the Company's audit arrangements remain competitively priced, providing good value for shareholders, while also maintaining the same high quality of the statutory audits. To this end, the Audit Committee undertook a tender process for the 2022 statutory audit. Following a review of tender proposals from a number of firms, Johnston Carmichael LLP has been appointed as the Company's new auditor.

Annual General Meeting

The Board is pleased to report that a more familiar format for the Annual General Meeting will be permissible for this year and, to that end, we will be holding the Company's Annual General Meeting ('AGM') at 60 Victoria Embankment, London EC4Y 0JP on 27th July 2022 at 12 noon.

We are delighted that this year we will once again be able to invite shareholders to join us in person for the Company's AGM, to hear from the new managers, who will present at the meeting via video link from Tokyo. Their presentation will be followed by a live question and answer session. Shareholders wishing to follow the AGM proceedings but choosing not to attend will be able to view them live and ask questions (but not vote) through conferencing software. Details on how to register, together with access details, will be available shortly on the Company's website at www.jpmmjapan-smallcap-growth-and-income.co.uk or by contacting the Company Secretary at invtrusts.cosec@jpmorgan.com.

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

Shareholders who are unable to attend the AGM are strongly encouraged to submit their proxy votes in advance of the meeting, so they are registered and recorded at the AGM. Proxy votes can be lodged in advance of the AGM either by post or electronically: detailed instructions are included in the Notes to the Notice of Annual General Meeting on pages 91 to 93 of the Annual Report.

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

Outlook

The Board shares the Managers' confidence in the outlook for Japan's small cap companies. Japan is in the process of significant positive structural change, whose economic and societal benefits will resonate well into the future. Digitalisation is likely to be particularly positive for productivity over the medium term. Furthermore, Japan's membership of the new regional trading bloc, the Regional Comprehensive Economic Partnership ('RCEP'), should increase its access to Asia's rapidly expanding economies, while the recent depreciation of the yen should boost export competitiveness.

Chairman's Statement

Japan's smaller, more entrepreneurial and innovative companies are leading the way across a variety of sectors and should thrive in this environment, generating many exciting investment opportunities. The Board remains confident that the Managers' focus on quality and growth businesses, supported by JPMorgan's extensive, Tokyo-based research resources, leaves the Company ideally placed to capitalise on these opportunities, and to continue to deliver a regular income, combined with attractive returns and outperformance, to shareholders over the longer term.

Alexa Henderson
Chairman

22nd June 2022

Investment Managers' Report



Miyako Urabe
Investment Manager



Xuming Tao
Investment Manager



Naohiro Ozawa
Investment Manager

Performance

This is our first report having assumed responsibility for management of your portfolio during the year under review.

The second half of the financial year ended 31st March 2022 was an especially turbulent time for global financial markets due to increasing inflation, US interest rate increases and the war in Ukraine. Concerns about inflation and higher rates took a heavy toll on stocks whose valuations are based on their long-term growth prospects, as higher rates reduce the value of their expected future cashflows. As a result, the Company's benchmark, the MSCI Japan Small Cap Index (in GBP terms), produced a total return of -8.1% for the year as a whole. However, our particular focus on quality and growth stocks meant this market volatility had a greater adverse impact on the Company's performance. After delivering outright gains and outperforming the benchmark over the first half of the year, for the year as a whole, the Company's net assets returned -24.6%, underperforming the index by 16.5 percentage points.

This result is extremely disappointing. It is not the first time that the Company has experienced short-term volatility in its returns relative to the benchmark. Indeed, our quality and growth bias means that the Company's portfolio often differs markedly from the benchmark, which includes lower quality cyclical names. However, our investment strategy looks beyond such short-term market fluctuations, and adopts a long-term perspective, on the view that excess returns take time to accumulate, especially for smaller cap stocks. This approach has delivered attractive absolute growth and outperformance over the long run. The Company's gains have outpaced the benchmark over five and ten years, delivering an average annualised return over ten years of 10.9% on an NAV basis, compared to a benchmark performance over ten years of 8.1% on the same basis.

Performance attribution

Year ended 31st March 2022

	%	%
Contributions to total returns		
Benchmark return		-8.1
Sector allocation	-3.0	
Stock selection	-12.1	
Gearing/cash	-0.4	
Return relative to benchmark		-15.5
Portfolio return		-23.6
Management fee/other expenses	-1.0	
Return on net assets^A		-24.6
Return to shareholders^A		-23.3

Source: Factset, JPMAM, Morningstar.

All figures are on a total return basis.

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

^A Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 94 and 95.

Market Background

In the first half of the year, Japanese equities, in line with other major markets, advanced on hopes that the global COVID vaccine roll-out would allow economic activity to return to normal. Japan's state of emergency was lifted in September 2021 and the ruling Liberal Democratic Party ('LDP') re-assumed power in the autumn election, confirming Fumio Kishida as the new Prime Minister. However, in the latter half of the financial year market volatility increased sharply. As well as escalating geo-political tensions to levels unprecedented in the past half century, news of Russia's invasion of

Investment Managers' Report

Ukraine exacerbated existing energy and commodity price pressures, compelling the US Federal Reserve, and the Bank of England, to begin raising interest rates. In Japan, inflation remains low and the Bank of Japan has maintained its stimulatory monetary policy stance, but Japanese equities suffered the same sell-off as in other major markets, and, as elsewhere, technology and other growth stocks were the worst affected. In addition, widening interest rate differentials saw the Japanese yen weaken against the US dollar and sterling.

Spotlight on Stocks and Sectors

Stock selection was responsible for most of the underperformance during the 12 months under review, although sector selection also detracted from relative performance to a more modest extent.

At the stock level, several names made significant positive contributions to returns:

- **MEC** manufactures advanced adhesion enhancer products used in printed circuit boards. The company is a global leader in this niche market. Its products improve adhesion between the wiring and insulating materials in semiconductors, which is key to manufacturers' efforts to reduce the size of semiconductor units. With semiconductors in significant and growing demand, for use in a vast array of products including electric vehicles, smartphones, wearable tech and many household items, we expect MEC to enjoy continued solid revenue growth over coming years and we have maintained our off benchmark holding.
- **C. Uyemura** is another niche market player and off benchmark position. The company produces specialist chemicals and plating machinery used in EVs, smartphones, and other home appliances. It is benefitting from structural changes in mobile telecommunications, as the sector transitions from 4G to 5G - the electronic parts used in 5G smartphone require higher quality and more extensive plating technology. C. Uyemura is well-positioned in high-end plating, with a dominant market share and few new competitors, as the market is too small for large players to enter aggressively.
- **Litalico** provides employment support to people with disabilities. Japanese society is becoming increasingly aware of the importance of diversity and inclusion, and companies are stepping up efforts to create welcoming workplaces for workers regardless of their gender, age, nationality, or disabilities. Litalico is Japan's number one provider of support services for disabled people.

The favourable impact of these stocks on relative performance was more than offset by negative contributions from a number of holdings, including:

- Our holding in **Miura**, which is a pioneer in the manufacture of compact, energy-efficient gas boilers. These boilers are much more environmentally friendly than coal-fired versions. Miura has a dominant share of the Japanese market, with a high proportion of profits from recurring revenues, and there is a long-term growth opportunity in China, where the market is six times larger, and 80% of boilers are still coal-fired. Miura's expansion into China has stalled due to China's severe lockdowns, but we continue to hold this name due to our confidence in the company's long-term growth potential.
- Another off benchmark position in **SpiderPlus**, which supplies digital drafting, photographic and other software services to the construction industry. These services deliver productivity gains by significantly reducing the amount of manual labour involved in such tasks. The company's share price has corrected during the broad-based sell-off in growth stocks, rather than for stock specific reasons, and we continue to hold this name.
- **RAKSUL**, which is Japan's leading provider of specialist EC printing services for businesses. Compared to other printing EC players who operate printing facilities, Raksul employs a sharing economy model utilising idle capacity in regional printing facilities to realise value without having to carry the cost of any fixed asset required for printing themselves. This allows them to continue improving user experience and enjoy a higher margin and return. EC printing still only comprises less than 5% of Japan's overall market for business printing services, suggesting significant growth potential given that penetration rates are around 30% in countries such as Germany. As in the case of SpiderPlus, Raksul's share price has been dragged lower in the recent sell-off without any underlying fundamental justification, and we continue to hold.

Investment Managers' Report

With respect to sector allocation, as mentioned above, the kind of stocks we favour tend to be concentrated in those sectors which have been hardest hit in the recent market decline, while lower-value, lower-quality stocks in economically-sensitive sectors such as transport, banks and consumer goods, which we generally avoid, have done relatively well. Accordingly, the top detractor from performance at the sector level over the past year, by a significant margin, was our overweight in IT software & services. The portfolio's underweightings in transportation and real estate also detracted more modestly. However, our overweight in semiconductors & semiconductor equipment, and our underweight in food, beverage & tobacco, made positive contributions to returns.

Gearing stood at 6.1% at the end of the financial year, down from 8.1% at the end of FY21. Given the significant decline in the Company's NAV, gearing negatively impacted returns over the year.

About Our Investment Philosophy

The Company aims to provide shareholders with access to the innovative and fast-growing smaller companies at the core of the Japanese economy. Our investment approach favours quality and structural growth, and we target companies (other than Japan's largest 200) which we believe can compound earnings growth over the long term, supported by sustainable competitive advantages, good management teams and capital investment. We believe the strong and durable market positioning of such businesses will allow them substantially to increase their intrinsic value over time. We avoid stocks that have no clear differentiation and those that operate in industries plagued by excess supply and structural decline. Our focus on quality and growth means that the portfolio tends to benefit from the ability to invest the portfolio into stocks with different weightings to that of the benchmark, which provides a potential source for additional return, enhancing the Company's scope to outperform over the long term.

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

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

This patient perspective is key to generating excess return over the long term, although the portfolio's focus on quality and growth means it tends to struggle during value rallies. Having said that, the Company does not target 'growth at any price'. We always strive to acquire shares at a reasonable price. To this end, we use a five-year expected return framework to consider whether a stock's price is at an attractive level. We believe it is also important to construct a well-balanced, diversified portfolio, to minimise exposure to unintended risks. The Company's prospective and current portfolio holdings comprises around 75 stocks, in a range of sectors, including not only IT hardware and software, but materials, chemicals, construction, machinery and consumer goods and services.

We believe that well-run companies, which exhibit behaviour which respects the environment and the interests of their shareholders, customers, employees and other stakeholders, are most likely to deliver sustainable, long-term returns. Such environmental, social and governance ('ESG') considerations are thus integral to our investment process and a key driver of our quest to generate financial returns. ESG factors influence our decisions both at the portfolio construction stage and thereafter once companies are held in the portfolio, when ongoing engagement with managers can be effective in encouraging them to realise and maintain acceptable ESG standards. Our long-term holding in Litalico (discussed above) is one example of the way in which ESG considerations influence our investment decisions, as this company is at the forefront of Japan's efforts to improve employee well-being and workplace diversity.

Investment Managers' Report

Trends and Themes

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

Our investment themes include:

- **Changing demographics:** Japan's ageing and declining population is creating significant challenges for Japanese policymakers. The government is committed to tackling these issues through regulatory reforms and digitalisation, and this is providing opportunities for innovative smaller companies working to improve the quality of life for the elderly for example, reducing the need for face-to-face medical appointments. The tele-medicine company, Medley, is an example of a holding benefitting from such innovation.
- **Improving labour productivity via digitalisation:** Japan's ageing population is also leading to a contraction in labour supply, and once again digitalisation is a key part of the solution to this problem, as it raises labour productivity. The government wants to encourage the adoption of digitalisation across the economy, and to this end it has established an agency which is focused on digitalising the operations of national and local governments, as well as Japan's education and healthcare systems. Portfolio holdings Rakus and Money Forward are benefiting from this drive, while Spiderplus, mentioned above, is one of many companies contributing to productivity improvements in the private sector.
- **Technological innovation:** While certain areas of the Japanese economy such as financial services lag other markets in terms of their technological sophistication, Japanese manufacturers are world class. The country is a leading global supplier of factory automation equipment, robots, electronics parts and materials, proving attractive investment opportunities for portfolio companies such as MEC and C. Uyemura, mentioned above, that specialise in niche technology markets.
- **De-carbonisation:** The Japanese government's commitment to reduce carbon emissions to net zero by 2050 has galvanised efforts to transition the economy to renewable energy sources and take other necessary steps to mitigate climate change. Some smaller Japanese companies possess unique technologies related to the production of electric vehicles, solar and wind power and other forms of clean energy, and we continue our search for companies such as Canadian Solar Infrastructure Fund and Hirano Tecseed that are well-positioned to benefit from the global push towards carbon neutrality.
- **Overseas growth:** The Asian region is experiencing rapid structural growth. Japanese luxury goods producers and other strong brands such as our investments in Milbon and Casio Computer are likely to continue experiencing strong demand from new customers in China, India and other increasingly prosperous Asian countries.
- **Corporate governance:** Japan's corporate sector is making a concerted effort to strengthen governance standards via the appointment of more independent, external directors to company boards, enhanced shareholder returns and tighter internal controls and disclosure rules. There is, however, room for further improvement, and we maintain a constructive dialogue with portfolio companies and potential investments on this broad theme, on the view that the market is likely to keep rewarding companies that upgrade their governance practices.

Portfolio Activity

The sharp share price correction which took place in the second half of the financial year has provided us with the opportunity to purchase some interesting businesses at attractive prices.

- Under the digitalisation theme, we purchased a new position in **Rakus**, a software company providing business services including digital invoicing, expense management and email management and distribution systems. The company has a mix of mature, very profitable and cash generative services, as well as a suite of new product offerings. This portfolio approach provides Rakus with earnings stability, as well as good growth potential.

Investment Managers' Report

- Our purchase of **Yamato Kogyo** aligns with our focus on the trend towards de-carbonisation. Yamato Kogyo is a steel producer which uses electric arc furnaces, rather than conventional blast furnaces, in its manufacturing process. Electric arc furnaces emit only around one sixth to a quarter of the greenhouse gases produced by conventional blast furnaces and Yamato Kogyo is one of the largest Japanese steelmakers using this technology. It also has joint venture operations and subsidiaries in the United States, Thailand, and other countries. The company is likely to see increased demand for its products as construction and manufacturing companies strive to reduce the carbon footprint of their steel inputs.
- **Tokai Carbon** is a play on the same theme. It is a leading global supplier of ultra-high quality graphite electrodes, which are a key component of electric arc furnaces. Demand for Tokai Carbon's products is likely to escalate as steel companies phase out their use of conventional blast furnaces, in favour of more environmentally friendly electric arc furnaces.
- **Shift** is a leading software testing company in Japan. Japan is experiencing a structural shortage of software engineers as it is better for engineers to focus on software development rather than testing given the tight supply. Shift started targeting this specific testing market over a decade ago and has accumulated considerable know-how in software testing. Considering the fact that outsourcing penetration for the software testing market in Japan is still only 1-2%, we believe the growth runway is significant and that they can continue to deliver compound growth over the long term.
- **Sanwa Holdings** is the number one shutter maker in Japan. They have a very stable business model in Japan with only three companies dominating the market, of which Sanwa has the strongest position with a market share over 50%. They also provide business overseas, mainly in the US and Europe, through past acquisitions. The company is very well managed with consistently positive free cashflow, steady margins and proactive shareholder returns.

Two of our largest divestments over the past year were **Nippon Prologis REIT** and **CyberAgent**. The Company's investment guidelines prohibit investment in Japan's top 200 securities and Nippon Prologis, an industrial REIT, and CyberAgent, an internet advertiser and media content business, were approaching this threshold, so we closed our positions at a profit.

The Company's portfolio holdings have no notable exposure to Russian or Ukrainian markets, either through any operational presence in, or sales revenues from, these markets.

Our bias towards quality and growth means the portfolio continues to have a higher return on equity and stronger earnings per share growth than its benchmark.

Outlook and Strategy

While most major economies are likely to be subjected to continuing upward pressures on prices and interest rates, we expect the Bank of Japan to maintain its expansionary monetary policy stance. Japan is not overly reliant on Russian oil and gas and there is a general absence of domestic price and wage pressures. While the weaker yen will put some upward pressure on import prices, it will enhance the competitiveness of Japanese exports. On the political front, continuity and stability remain the defining characteristics of Japanese politics, as the LDP secured a strong mandate to govern for the next few years, and we expect it to continue in broad terms to pursue the policies and reforms implemented by the previous two Prime Ministers, Shinzo Abe and Yoshihide Suga, over the last nine years.

Regardless of the concerns and uncertainties overshadowing global financial markets, we remain optimistic about the long-term outlook for Japanese small cap companies. Japanese businesses typically have large cash positions and stronger balance sheets than their peers in other countries. Average valuations of Japanese companies remain reasonable, both lower than historical averages and below those of most other major markets. As importantly, the pandemic has given added impetus to some positive long term structural trends developing in the Japanese economy, especially the application of technology and digitalisation to a multitude of goods and services. These trends are set to underpin growth, productivity and corporate earnings for many years to come. In sharp contrast to other developed economies, Japan's smaller and more entrepreneurial companies are at the forefront of such innovation, and therefore, are ideally positioned to prosper over the longer term.

Investment Managers' Report

We believe that it is always important to focus on the best of these businesses – good quality companies with leading market positions and the potential for structural growth. In a part of the market where sell-side coverage is patchy at best, JPMorgan's large team of Tokyo-based analysts puts the Company in a favourable position to uncover exciting investment opportunities amongst smaller companies, and thus to capitalise on the long-term structural changes playing out in Japan.

Thus our portfolio's stock weightings will tend to differ substantially from the benchmark and this can often lead to volatile relative performance as we have seen to our detriment over the last six months and in some previous periods. However, we believe our investment approach is capable of weathering these oscillations and any short-term shifts in sentiment driven by geo-political developments or economic roadblocks, just as it has done in the past. We are confident the Company will continue to deliver positive returns, and relative outperformance to our shareholders over the longer term.

Miyako Urabe

Xuming Tao

Naohiro Ozawa

Investment Managers

22nd June 2022

Environmental, Social and Governance Report

Environmental, Social and Governance Report ('ESG')

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

Successful engagement in Japan, as ever, requires detailed research, patience and persistence and hence to be most effective, engagement with Japanese companies is therefore best carried out by experienced local staff. The team of Tokyo-based investment managers, analysts and investment stewardship specialists are very well positioned to ensure successful engagement on behalf of your Company.

It is encouraging that many Japanese companies are now taking steps to improve their corporate governance. A draft revision to the Japanese Corporate Governance Code was released in late March 2021. Whilst, disappointingly, this revision did not include any changes rules relating to cross shareholdings, there have been significant moves in connection with corporate sustainability initiatives and their disclosure. Companies are being asked to elaborate on their policy on sustainability, show the measures they are taking to ensure and promote diversity, and provide information on their investment in human capital and intellectual property. For the time being, only companies listed on the Prime Market will need to disclose the impact of climate-related risks and opportunities, based on the Taskforce on Climate-related Financial Disclosure ('TCFD') or equivalent framework. The revision to the Corporate Governance Codes follows the amendments to the 2014 Japanese Stewardship Code which came into effect on 24th March 2020. Investment managers who have adopted the Stewardship Code are required to consider sustainability as part of their investment process and provide more disclosure. The changes should encourage more integration of ESG factors by other investors, help to promote transparency by companies, and encourage more constructive dialogue between investors and companies.

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

J.P. Morgan Asset Management is also a member of the Investor Group of the 30% Club Japan. The 30% Club is a global campaign founded in the UK in 2010 that aims to achieve at least 30% representation of women on all boards and C-suites globally. Its Japan chapter was founded in 2019 and aims to achieve 30% representation of women on the boards of TOPIX100 companies by 2030. Representation stood at only 12%, as of July 2020, and only 6% for all Japanese listed companies.

The J.P. Morgan Asset Management Japan Approach

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

1. Research

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

Environmental, Social and Governance Report

Additionally, a fundamental materiality framework was implemented in 2020. The basis of 'materiality' is to identify the ESG issues that are most likely to have a material negative financial impact on a company were it to be mismanaged, or potentially a material positive impact if it were to be managed well. Across each of over 50 different sub-industries, material issues are identified by research analysts, who come together to share perspectives from their coverage with their sector group peers. Every company receives a score from 1 (best) to 5 (worst) on each of the material issues that have been identified.

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

2. Engagement

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

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

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

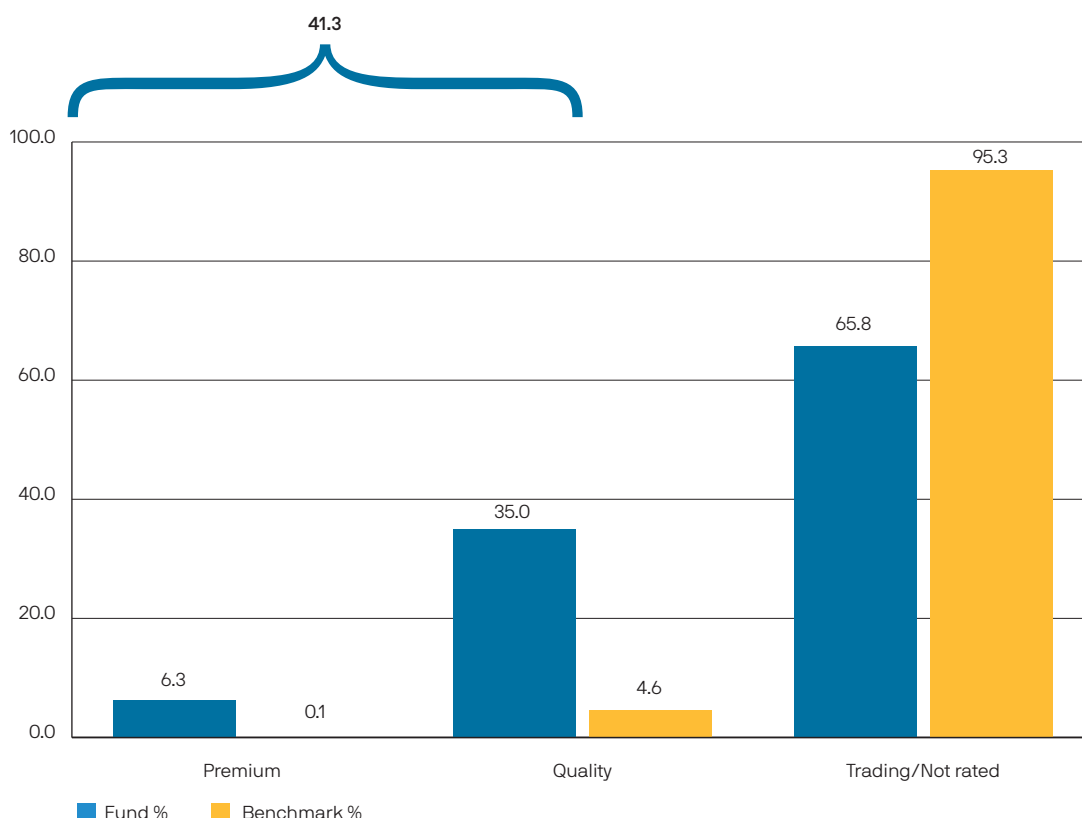
Our engagement activity is reported to the Board on a quarterly basis.

3. Portfolio construction

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

Environmental, Social and Governance Report

Strategic classification: Portfolio versus benchmark, as at 30th April 2022



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

Strategic Priorities for Investment Stewardship Activities Globally

In February 2020, J.P. Morgan Asset Management outlined five global investment stewardship priorities. Engagement has commenced with a focus list of companies on these matters. The focus list companies are identified by the global Stewardship team, in collaboration with the investment managers and analysts, as those companies with material ESG risks. The global Stewardship team will lead proactive, frequent engagement with these companies to seek to resolve the ESG concerns we have. Whilst it is anticipated that the constituents of the list will change year on year, currently 16 Japanese companies are on the focus list, of which two are held in the Company's portfolio. This engagement is in addition to that undertaken more generally by the regional Stewardship team, investment managers and analysts in respect of companies in the portfolio, details of which are set out above and below.

Recent ESG Engagement Topics

Regular contact with the investee companies is central to the investment process, and there is recognition of the importance of being an 'active' owner on behalf of shareholders. COVID-19 has meant that the opportunities for in-person meetings have been more limited since early 2020, although we have conducted engagements virtually, where feasible.

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

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

Environmental, Social and Governance Report

During the 12 months to 31st March 2022, as well as regular management meetings conducted by the investment team in Japan, the Sustainable Investing team (31 colleagues based in London, New York and Hong Kong) collaborated with the investment team in Japan to conduct 27 engagements on portfolio companies with 22 of these being on 45 themes specifically to discuss ESG issues. The engagements were broken down as follows:

ESG theme	%
Climate change	28.9%
Human capital	24.4%
Governance	24.4%
Business conduct	6.7%
Executive pay	6.7%
Natural resource and ecosystems	4.4%
Social stakeholder management	4.4%

Specific topics covered in ESG discussions included board diversity and structure, in particular, gender diversity of the board, measures taken by the company to promote the active participation of women in the workplace, and the setting of medium-term targets to increase women in managerial positions. We continue to engage on this issue with companies, having introduced criteria in our voting guidelines for female representation on boards, with effect from April 2022. With regard to environmental issues, we focused our engagement on disclosures on climate change, whether disclosures are in line with Taskforce on Climate-related Financial Disclosure recommendations and if the analysis of the impact on businesses and strategy provides meaningful insights to investors.

With the Japanese government setting targets to achieve carbon neutrality by 2050, both risks and opportunities may transpire as a result of the transition to a low carbon economy at a faster pace than investors may anticipate.

In the event that we are not satisfied with either a company's responsiveness or strategy, we may seek to meet with the chairman (if the chairman is a non-executive director), lead independent director, or other independent director(s), or express our concerns through the company's advisers. We may also use our proxy votes in order to try to bring about management change. We may also simply sell out of a stock completely if the company is unresponsive or if we feel that is in the best interests of our shareholders.

Engagement Examples

DTS

We voted against the allocation of capital at DTS's 2020 AGM as the payout ratio was short of 50% and below our voting standards. Upon engagement with the company, we explained that we wish to ensure effective capital allocation and would vote against a further accumulation of cash if there were no clear rationale for it. In its mid-term plan, released in April 2022, the company announced its capital policy with a dividend payout target exceeding 50%.

With respect to the corporate structure, the company has proposed to move to a company with an audit and supervisory committee from the present structure of a company with a board of auditors. The aim of this change was to shift the board's focus to capital policy and mid/long-term business strategy, whilst leaving decisions on business execution to the executive board. We have been emphasising majority independence of the board as best practice (currently 40%) and have been requesting the company to make the chair of its nomination committee independent. It is encouraging to see the company announce plans to achieve majority independence of the board, elect two female directors, and change the chair of the advisory committee to an outside director upon this corporate structure transition.

Milbon

Milbon has identified five ESG priorities among which procurement practice is included. It is stated in their integrated report that the company has been working to improve supplier standards and to implement enhanced supply chain management by the end of 2022. Milbon uses the Global Compact Network Japan self-assessment questionnaires so as to understand practices at their suppliers. The company has started directly checking its suppliers which it had not evaluated before as it previously relied on third party trading houses and thus it aims to disclose in the next integrated report to what extent it has managed to monitor its suppliers.

Environmental, Social and Governance Report

On the other hand, some progress was made with regards to procurement of palm oil and paper. In the Corporate Governance Report revised in March 2021, it was disclosed that the company had adhered to The Roundtable on Sustainable Palm Oil (RSPO) since 2019 and aimed to raise procurement of RSPO certified palm oil to 100%. It also explains that it partially procured Forest Stewardship Council certified materials for packaging.

The company explained that it considers adequate management of suppliers and quality management as important and has been working to improve its practices. The company had been indirectly reviewing its suppliers through the use of third-parties. The company will be able to report more fully on the monitoring of its suppliers that is now undertaking directly in its next report. We suggested fuller disclosure of supplier standards in addition to the progress in monitoring.

Voting for the Year to 31st March 2022

A summary of key voting statistics and activity undertaken in respect of stocks in the Company's portfolio for the year to 31st March 2022 is detailed below. On behalf of the Company, J.P. Morgan Asset Management Japan voted at all the 92 annual general meetings and three extraordinary meetings of investee companies held during the fiscal year.

As last year, the highest percentage of votes against management were in relation to dividend proposals. We voted against management where we found insufficient shareholder return at companies generating strong free cash flow, despite taking into consideration investment needed for growth. We noted a significant increase in proposals asking to amend articles of incorporation to introduce virtual only shareholder meetings in response to the establishment of rules concerning a 'Shareholder Meeting without a Designated Location' as an exception to the Companies Act in 2021. Among those proposals, we did not support a virtual-only AGM which would constrain shareholders' equitable access to top management.

There was one proposal for a renewal of shareholder rights plan as an anti-takeover measure at Nikkato Corp., which we did not support as shareholders would not have benefited from such a takeover defence.

Voting at Shareholder Meetings Held During the Year to 31st March 2022

	For	Against	Abstain	Against/ Abstain Total	Total Items	% Against
Election of Directors	564	107	0	107	671	15.9%
Election of Statutory Auditors	56	10	0	10	66	15.2%
Director Remuneration ¹	66	6	0	6	72	8.3%
Income Allocation	22	31	0	31	53	58.5%
Reorganisation and Mergers	2	0	0	0	2	0.0%
Amendment to Articles of Association	37	3	0	3	40	7.5%
Ratification of Auditors	3	0	0	0	3	0.0%
Reduction in Share Capital	3	0	0	0	3	0.0%
Poison Pill	0	1	0	1	1	100.0%
Total	753	158	0	158	911	17.3%

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

Environmental, Social and Governance Report

The Carbon Scorecard

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

The table below contains the numbers as at 31st March 2022.

	Carbon Emissions tons CO2e / \$M invested	Carbon Intensity tons CO2e / \$M sales	Weighted Average Carbon Intensity tons CO2e / \$M sales
Portfolio	113.9	160.6	127.2
Coverage by Portfolio Weight*	86.6%	86.6%	86.6%
Index	408.1	239.5	144.9
Coverage by Portfolio Weight*	100.0%	100.0%	100.0%

Source: MSCI ESG Carbon Footprint Calculator

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

J.P. Morgan Asset Management

Portfolio Information

Ten largest investments

As at 31st March

Company	Sector	2022 Valuation		2021 Valuation	
		£'000	% ¹	£'000	% ¹
Raito Kogyo	Construction	8,160	3.6	8,234	2.5
MEC	Chemicals	7,635	3.3	6,646	2.1
Taiyo Yuden	Electric Appliances	6,967	3.0	8,032	2.5
Benefit One	Services	5,528	2.4	7,848	2.4
Tosho ²	Services	5,499	2.4	6,101	1.9
Cosmos					
Pharmaceutical ²	Retail Trade	4,686	2.0	5,721	1.8
Milbon ²	Chemicals	4,506	2.0	2,409	0.7
Digital Garage ²	Information & Communication	4,491	2.0	4,616	1.4
BIPROGY ²	Information & Communication	4,431	1.9	5,078	1.6
Litalico ²	Services	4,329	1.9	4,754	1.5
Total³		56,232	24.5		

¹ Based on total investments of £229.9m (2021: £324.0m).

² Not included in the ten largest investments at 31st March 2021.

³ At 31st March 2021, the value of the ten largest investments amounted to £76.1m representing 23.5% of total investments.

Portfolio Information

Sector analysis

As at 31st March

	31st March 2022		31st March 2021	
	Portfolio	Benchmark	Portfolio	Benchmark
	% ¹	%	% ¹	%
Information & Communication	21.3	7.8	24.7	9.3
Chemicals	17.6	7.6	14.7	6.9
Services	12.9	8.4	15.1	8.2
Retail Trade	6.9	8.2	6.2	8.9
Electric Appliances	6.4	8.2	8.3	7.5
Metal Products	6.0	1.5	4.1	1.6
Construction	5.8	5.1	4.5	5.4
Real Estate	3.8	9.6	2.8	9.0
Precision Instruments	3.7	2.1	2.9	2.1
Machinery	3.0	6.6	7.9	6.9
Wholesale Trade	2.5	6.2	2.9	6.4
Iron & Steel	1.9	1.6	—	1.3
Nonferrous Metals	1.8	1.5	0.8	1.5
Glass & Ceramics Products	1.8	1.7	0.2	1.5
Pharmaceutical	1.7	1.9	0.2	2.0
Other Financing Business	1.6	1.4	1.4	1.2
Securities & Commodity Futures	0.7	1.1	—	1.1
Other Products	0.6	2.3	0.5	2.1
Banks	—	4.5	—	4.6
Foods	—	3.5	—	3.4
Land Transportation	—	2.0	—	1.6
Transportation Equipment	—	1.6	—	1.6
Textiles & Apparels	—	1.3	—	1.3
Electric Power & Gas	—	0.9	1.7	1.0
Pulp & Paper	—	0.9	—	1.0
Fishery, Agriculture & Forestry	—	0.6	—	0.7
Warehousing & Harbor				
Transportation Services	—	0.6	—	0.4
Rubber Products	—	0.5	0.4	0.6
Oil & Coal Products	—	0.3	—	0.3
Marine Transportation	—	0.2	—	0.3
Mining	—	0.2	—	0.2
Insurance	—	0.1	0.7	0.1
Total	100.0	100.0	100.0	100.0

¹ Based on total investments of £229.9m (2021: £324.0m).

Portfolio Information

List of investments

As at 31st March

Company	Valuation £'000	Company	Valuation £'000
Information & Communication		Services	
Digital Garage	4,491	Benefit One	5,528
BIPROGY	4,431	Tosho	5,499
Square Enix	3,996	LITALICO	4,329
Capcom	3,765	S-Pool	3,429
Money Forward	3,751	TRE	3,239
DTS	3,523	Atrae	2,281
Rakus	2,987	Riso Kyoiku	1,835
Raksul	2,753	Bengo4.com	1,746
Visional	2,725	Infomart	1,420
NET One Systems	2,613	Advantage Risk Management	429
Minkabu The Infonoid	2,309		29,735
Medley	2,249	Retail Trade	
Sansan	2,196	Cosmos Pharmaceutical	4,686
GMO internet	2,053	Monogatari	4,199
Appier	1,921	Marui	3,600
Yappli	1,515	Nippon Gas	3,351
SHIFT	935		15,836
SpiderPlus	839	Electric Appliances	
	49,052	Taiyo Yuden	6,967
Chemicals		Iriso Electronics	2,807
MEC	7,635	Anritsu	2,539
Milbon	4,506	Casio Computer	2,365
Mitsui Chemicals	4,042		14,678
Aica Kogyo	3,926	Metal Products	
Fuso Chemical	3,925	SUMCO	4,260
Nippon Sanso	3,707	Sanwa	3,401
C Uyemura	3,371	Mimasu Semiconductor Industry	3,209
Tri Chemical Laboratories	2,593	Rinnai	2,849
Kansai Paint	2,243		13,719
FP	1,773		
Nifco	1,606		
Takara Bio	1,120		
	40,447		

Portfolio Information

Company	Valuation £'000
Construction	
Raito Kogyo	8,160
Sumitomo Densetsu	3,257
COMSYS	2,003
	13,420
Real Estate	
Mitsui Fudosan Logistics Park	3,304
Star Mica	3,054
Canadian Solar Infrastructure Fund	2,236
	8,594
Precision Instruments	
Asahi Intecc	3,068
Topcon	2,774
Nakanishi	2,741
	8,583
Machinery	
Miura	3,517
Tsukishima Kikai	1,772
Hirano Tecseed	946
Harmonic Drive Systems	675
	6,910
Wholesale Trade	
As One	3,023
MISUMI	2,809
	5,832
Iron & Steel	
Yamato Kogyo	4,310
	4,310
Nonferrous Metals	
SWCC Showa	4,151
	4,151

Company	Valuation £'000
Glass & Ceramics Products	
Tokai Carbon	4,102
	4,102
Pharmaceutical	
Kissei Pharmaceutical	2,257
HEALIOS KK	1,618
	3,875
Other Financing Business	
Mitsubishi HC Capital	3,622
	3,622
Securities & Commodity Futures	
WealthNavi	1,583
	1,583
Other Products	
Lintec	1,463
	1,463
Total Investments	229,912

The portfolio comprises 75 equity investments.

Five Year Record

At 31st March	2017	2018	2019	2020	2021	2022
Total assets less current liabilities (£m)	207.8	290.2	235.1	248.9	326.1	216.7
Net asset value per share (p) ^A	377.9	483.1	431.3	401.8	550.0	397.6
Share price (p)	337.5	427.0	376.0	354.0	502.0	368.0
Share price discount to diluted net asset value per share (%) ^A	10.7	11.6	12.8	11.9	8.7	7.4
Gearing (%) ^A	6.3	6.3	7.9	7.5	8.1	6.1

Year ended 31st March

Gross revenue return (£'000)	3,528	3,735	4,007	3,836	3,526	3,855
Revenue return/(loss) per share – basic/diluted (p)	1.04	1.06	1.24	0.76	(0.06)	0.61
Ongoing charges (%) ^A	1.31	1.09	1.10	1.14	1.02	1.06

Rebased to 100 at 31st March 2017

Total return to shareholders ^{1,A}	100.0	126.5	115.3	113.4	167.7	128.6
Total return on net assets ^{2,A}	100.0	127.8	117.7	114.0	162.4	122.3
Benchmark total return ³	100.0	113.2	104.9	98.0	119.2	109.6

¹ Source: Morningstar.

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

³ Source: Morningstar. The Company's benchmark is the MSCI Japan Small Cap Index (in sterling terms). Prior to 1st April 2021, the Company's benchmark was the S&P Japan SmallCap NR (in Sterling terms).

^A Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 94 and 95.

Business Review

Business Review

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

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

The Company's Purpose, Values, Strategy and Culture

The purpose of the Company is to provide an investment vehicle which meets the needs of investors, whether large institutions, professional advisers or individuals, who seek long term investment returns from a Japan Small Cap Growth & Income investment strategy in an accessible, cost effective way. The Company, and its predecessor, has been investing in Japanese smaller companies since 1984 and has a premium listing on the London Stock Exchange. Its objective is to achieve long-term capital growth through investment in small-sized and medium-sized Japanese companies. It seeks to outperform its benchmark index, the S&P Japan SmallCap NR (in sterling terms) up to 31st March 2021 and the MSCI Japan Small Cap Index (in sterling terms) with effect from 1st April 2021, over the longer term and to manage risk by investing in a diversified portfolio of Japan-based companies, emphasising capital growth rather than income.

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

To ensure that the Company's purpose, values, strategy and culture are aligned, the Board comprises independent, non-executive Directors from a diverse background who have a breadth of relevant skills and experience. They act with professional integrity and contribute in an open boardroom culture that both supports and challenges the investment management company and its other third party suppliers.

Investment Objective

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

Corporate Summary

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

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

The Company is subject to UK and European legislation and regulations including UK company law, UK Financial Reporting Standards, the FCA Listing, Prospectus, Disclosure Guidance and Transparency Rules, the Market Abuse Regulation, taxation law, the Company's own Articles of Association and the Alternative Investment Fund Managers Directive. After 31st December 2020, new autonomous UK regulations became effective replacing those of the EU. Those EU regulations that were relevant to the Company have been incorporated into UK law and therefore there has been no change in practice.

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

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

Business Review

Investment Restrictions and Guidelines

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

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

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

Review of Performance

In the year ended 31st March 2022, the Company produced a total return on net assets of -24.6% and a total return to ordinary shareholders of -23.3%. These outcomes compare with the total return on the Company's benchmark index of -8.1%. As at 31st March 2022, the value of the Company's investment portfolio was £229.9 million. The Investment Managers' Report on pages 12 to 17 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends

Gross total loss for the year amounted to £67.7 million (2021: £95.5 million return) and the net total loss after deducting the management fee, other administrative expenses, finance costs and taxation amounted to £71.2 million (2021: £91.9 million return). The net revenue return for the year amounted to £0.3 million (2021: £0.03 million loss). The total dividend for the year was £11.1 million (2021: £11.9 million).

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

The table below sets out the interim dividends declared in respect of the year ended 31st March 2022:

Period	Announcement Date	Dividend
Q1 2022	1st July 2021	5.5p
Q2 2022	1st October 2021	5.8p
Q3 2022	4th January 2022	5.0p
Q4 2022	1st April 2022	4.0p
Total		20.3p

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

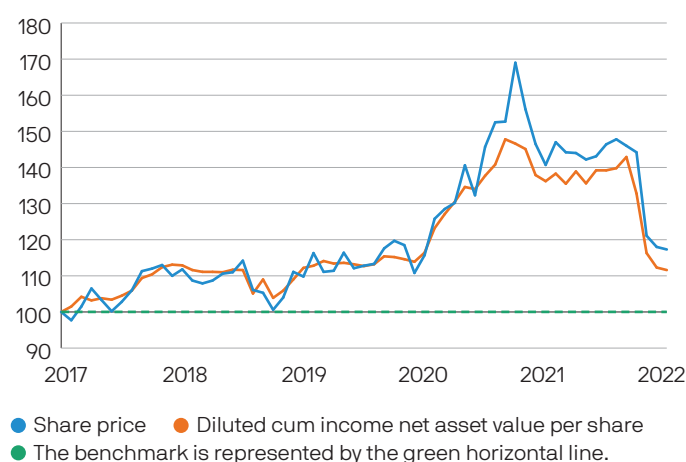
Key Performance Indicators ('KPIs')

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

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

Performance Relative to Benchmark Index

Figures have been rebased to 100 at 31st March 2017

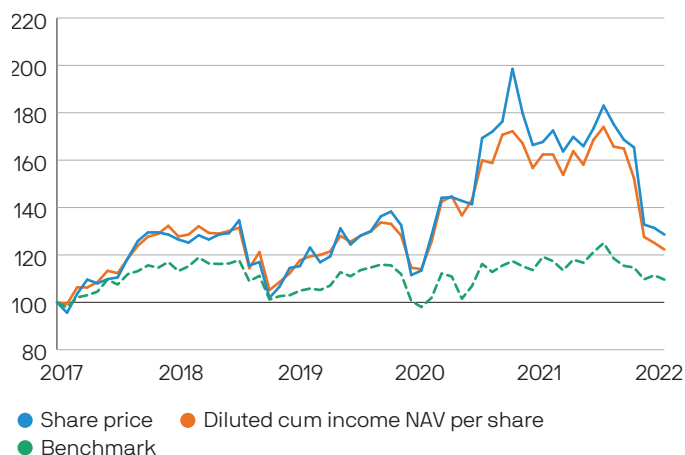


Source: Morningstar (total return).

Business Review

Five Year Performance

Figures have been rebased to 100 as at 31st March 2017

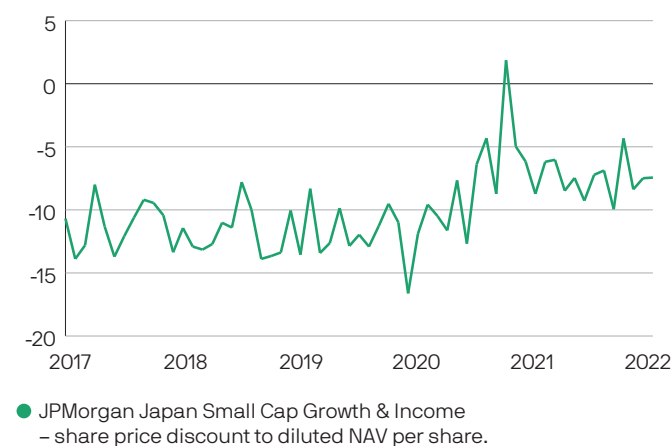


Source: Morningstar/Datastream (total return).

● Share price discount to NAV per share

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

Premium/(discount) Performance



Source: Morningstar.

● Performance attribution

- The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. Details of the attribution analysis for the year ended 31st March 2022 are given in the Investment Managers' Report on page 12.

● Ongoing charges

- The ongoing charges represent the Company's management fee and all other operating expenses, excluding any finance costs, expressed as a percentage of the average daily net assets during the year. The ongoing charges for the year ended 31st March 2022 were 1.06% (2021: 1.02%). Each year the Board reviews an analysis which shows a comparison of the Company's ongoing charges and its main expenses against those of its peers.

Share Capital

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

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

The Company did not repurchase any shares into Treasury during the year, nor has it repurchased any shares since the year end. The Company did not issue any shares during the year and has not done so since the year end.

Resolutions to renew the authorities to issue new shares, reissue shares from Treasury for cash and to repurchase shares for cancellation or to be held in Treasury will be put to shareholders at the forthcoming Annual General Meeting. The full text of these Resolutions is set out in the Notice of Meeting on pages 90 and 91.

Board Diversity

The Board recognises the importance of and benefits of improving the gender and ethnic balance of the Board. Notwithstanding this, the Board remains committed to appointing individuals of a high calibre based on merit, with due regard to the benefits of diversity on the Board. The Board is diverse on the basis of race, gender and nationality. As at 31st March 2022, there were three male and two female Directors on the Board. One of the male Directors is from Japan.

Business Review

Employees, Social, Community, Environmental, Human Rights Issues and Greenhouse Gas Emissions

An increasingly broad spectrum of investors now rightly focus on 'ESG' issues for their portfolios. They want to know that their managers are aware of these issues, that they take them into account in building their portfolios and that they raise such issues directly with investee companies. The Company is aware of the focus on these issues with the Manager and how it integrates them into its investment process.

Companies that address ESG issues and adopt sustainable business practices are better placed to maximise their performance and create enduring value for shareholders. Corporate governance issues have the most direct bearing on the risk/reward profile of the Company's portfolio; as such it is the area most integrated into the Manager's investment process. However, environmental concerns and social issues are highly relevant and the manager's focus is on engaging with the management of investee companies to ensure they are taking steps to lessen any negative environmental or social impacts derived from its business model. The Manager engages in meaningful interactions with investee companies through dedicated meetings and exercises the Company's proxy votes in a prudent and diligent manner in the interests of its shareholders. Also please refer to the Company's Corporate Governance and Voting Policy in the Directors Report on page 51 for further details on Proxy Voting and Stewardship/Engagement.

The Company has a management contract with JPMF. It has no employees and all of its Directors are non-executive. The day to day activities are carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Company itself has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. As a low energy user under HMRC guidelines it is not required to disclose energy and carbon information. The Board notes the JPMAM policy statements in respect of Social, Community and Environmental and Human Rights issues and Greenhouse Gas Emissions and that JPMAM is a signatory to the Carbon Disclosure Project and JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance. See www.jpmaninvestmenttrusts.co.uk/governance for further details.

The Modern Slavery Act 2015 (the 'MSA')

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

www.jpmanchase.com/content/dam/jpmc/jpmorgan-chase-and-co/documents/JPMC-Group-Statement-on-Modern-Slavery-FY2020_Final-w-signature.pdf

Corporate Criminal Offence

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

Principal and Emerging Risks

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

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

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

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

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

Principal risk	Description	Mitigation/Control	Movement from Prior Year
Investment and Strategy	An inappropriate investment strategy, poor asset allocation or the level of gearing, may lead to underperformance against the Company's benchmark index and its peer companies, resulting in the Company's shares trading on a wider discount.	The Company has a clearly defined strategy and investment remit, which is reviewed annually. The portfolio is managed by a highly experienced Investment Manager, with a defined investment appraisal process. The Board relies on the Investment Manager's skills and judgment to make investment decisions based on research and analysis of individual stocks and sectors. The AIFM also monitors the Investment Manager against the Company's investment guidelines. The Board reviews the performance of the portfolio against the Company's benchmark index, that of its competitors and the outlook for the markets on a regular basis, with the portfolio managers who attend Board meetings. The Board also reviews the level of premium/discount to NAV at which the Company's shares trade and movements in the share register. The Board regularly seeks the views of its investors.	Risk has been heightened by the Company's under-performance during the year together, with the resultant effects on global trade posed by supply issues, higher levels of inflation and volatility in stockmarkets. 
Market	Market risk arises from uncertainty about the future prices of the Company's investments. This market risk comprises three elements – equity market risk, currency risk and interest rate risk.	The Board considers the split in the portfolio between small and large companies, sector and stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by JPMF. The Board monitors the implementation and results of the investment process with the Manager. However, the fortunes of the portfolio are significantly determined by market movements in Japanese equities, the rate of exchange between the Japanese yen and sterling and interest rate changes. This is a risk that investors take having invested into a single country fund. The Board recognises the benefits of a closed-end fund structure in extremely volatile markets such as those affected by the COVID-19 pandemic. During times of elevated market stress, the ability of a closed-ended fund structure to remain invested for the long term enables the Manager to adhere to disciplined fundamental analysis from a bottom-up approach and be ready to respond to dislocations in the market as opportunities present themselves.	Risk has been heightened by a weakened economy in Japan at the start of the year, including inflationary increases, high import and energy costs. 

Principal and Emerging Risks

Principal risk	Description	Mitigation/Control	Movement from Prior Year
Operational and Cybercrime	Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the custodian's or depositary's records could prevent accurate reporting and monitoring of the Company's financial position.	On 1st July 2014, the Company appointed Bank of New York Mellon (International) Limited to act as its depositary, responsible for overseeing the operations of the custodian, JPMorgan Chase Bank, N.A., and the Company's cash flows. Details of how the Board monitors the services provided by the Manager and its associates and the key elements designed to provide effective internal control are included in the Risk Management and Internal Control section of the Corporate Governance Report on pages 50 and 51. As an externally managed investment trust, there is a continued reliance on the Manager and other third-party service providers. The Board reviews the overall performance of the Manager and other key third-party service providers and compliance with the investment management agreement on a regular basis to ensure their continued competitiveness and effectiveness, which includes assessment of the providers' control systems, whistle-blowing, anti-bribery and corruption policies and business continuity plans. The Manager's internal control processes are monitored throughout the year and are evidenced through its Service Organisation Control (SOC 1) reports, prepared by an independent auditor. The SOC 1 reports, which are reviewed annually by the Audit Committee, provide assurance in respect of the effective operation of internal controls. Service providers are appointed with clearly-documented contractual arrangements detailing service expectations. The Audit Committee receives assurance and internal controls reports from key service providers on an annual basis. The threat of cyber-attack, in all its guises, is regarded as at least as important as more traditional physical threats to business continuity and security. The Board has received the cyber security policies for its key third party service providers and JPMF has assured the Directors that the Company benefits directly or indirectly from all elements of JPMorgan's Cyber Security programme. The information technology controls around the physical security of JPMorgan's data centres, security of its networks and security of its trading applications are tested by independent reporting accountants and reported every six months against the Audit and Assurance Faculty Standard.	 Risk remains relatively unchanged. The operational requirements of the Company, including from its key third-party service providers, have been subject to rigorous testing as to their application during the COVID-19 pandemic, where working from home and online communication were required. To date the operational arrangements have proven robust and key third-party service providers have not experienced significant operational difficulties.
Loss of Investment Team or Investment Managers	The sudden departure of the investment managers or several members of the wider investment management team could result in a short-term deterioration in investment performance.	The Manager takes steps to reduce the likelihood of such an event by ensuring appropriate succession planning and the adoption of a team based approach.	 Risk has been heightened by a weakened economy in Japan at the start of the year, including inflationary increases, high import and energy costs.

Principal and Emerging Risks

Principal risk	Description	Mitigation/Control	Movement from Prior Year
Share Price Relative to NAV per Share	If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount.	The Board monitors the Company's premium/discount level and, although the rating largely depends upon the relative attractiveness of the trust, the Board has authority to issue new shares or buy backs its existing shares when deemed by the Board to be in the best interests of the Company and its shareholders. The Board is committed to consider buying back the Company's shares when/if they stand at anything more than a small discount to enhance the NAV per share for remaining shareholders.	 Risk remains relatively unchanged. The Board regularly reviews and monitors the Company's objective and investment policy and strategy, the investment portfolio and its performance, the level of discount/premium to net asset value at which the shares trade and movements in the share register.
Accounting, Legal and Regulatory	In order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given on page 29. Section 1158 requires, among other matters, that the Company does not retain more than 15% of its investment income, can demonstrate an appropriate diversification of risk and is not a close company.	Were the Company to breach Section 1158, it might lose its investment trust status and, as a consequence, gains within the Company's portfolio would be subject to Capital Gains Tax. The Section 1158 qualification criteria are continually monitored by JPMF and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 2006 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules and Disclosure Guidance and Transparency Rules ('DTRs'). A breach of the Companies Act 2006 could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules or DTRs could result in the Company's shares being suspended from listing, which in turn would breach Section 1158. The Directors seek to comply with all relevant regulation and legislation in the UK, Europe and the US and rely on the services of its Company Secretary, JPMF, and its professional advisers to monitor compliance with all relevant requirements.	 Risk remains relatively unchanged. Compliance with relevant regulations is monitored on an ongoing basis by the Company Secretary and Manager who report regularly to the Board.
Political and Economic	Political changes in Japan and the resulting economic uncertainty may affect the Company, the value of its investments in Japan and capital allocation decision making. Changes in legislation, including in Japan, the US, UK and the European Union, may adversely affect the Company either directly or because of restrictions or enforced changes on the operations of the Manager. JPMF makes recommendations to the Board on accounting, dividend and tax policies and the Board seeks external advice where appropriate. Significant political events could impact the health of the Japanese or UK economy, resulting in the imposition of restrictions on the free movement of capital.	The Company is at risk from changes to the regulatory, legislative and taxation framework within which it operates, whether such changes were designed to affect it or not. The Board monitors and receives advice from the Manager and other advisors on political and economic risks.	 Risk remains relatively unchanged. Political risks have always been part of the investment process.

Principal and Emerging Risks

Principal risk	Description	Mitigation/Control	Movement from Prior Year
Global Pandemics	COVID-19 was identified initially as an emerging risk, but quickly moved to become a current significant risk. The emergence of COVID-19 has highlighted the speed and extent of economic damage that can arise from a pandemic. There is the risk that emergent strains may not respond to current vaccines and may be more lethal and that they may spread as global travel increases. The response to the Pandemic by the Japanese and other governments may potentially fail to mitigate the economic damage created by the Pandemic and public health responses to it, or may create new risks in their own right.	The Board receives reports on the business continuity plans of the Manager and other key service providers. The effectiveness of these measures has been assessed throughout the course of the COVID-19 pandemic and the Board will continue to monitor developments as they occur and seek to learn lessons which may be of use in the event of future pandemics. To date the portfolio's holdings have not exhibited a long-term negative impact and have recovered as the containment measures eased, although the pandemic has yet to run its course. The Board seeks to manage these risks through: a broadly diversified equity portfolio, appropriate asset allocation, reviewing key economic and political events and regulatory changes, active management of risk and the application of relevant policies on gearing and liquidity.	 Risk remains relatively unchanged. The economic impact of the COVID-19 pandemic has been considered. There are always exogenous risks and consequences, which are difficult to predict and plan for in advance. The Company does what it can to address these risks when they emerge, not least operationally and in trying to meet its investment objective.

Emerging Risks

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

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

Emerging risk	Description	Mitigation/Control
Environmental Risks		
Climate Change	Climate change is one of the most critical emerging issues confronting asset managers and their investors. Climate change may have a disruptive effect on the business models and profitability of individual investee companies, and indeed, whole sectors.	The Manager's investment process integrates consideration of environmental, social and governance factors into decisions on which stocks to buy, hold or sell. This includes the approach investee companies take to recognising and mitigating climate change risks. In the Company's and Manager's view, companies that successfully manage climate change risks will perform better in the long-term. Consideration of climate change risks and opportunities is an integral part of the investment process.
ESG requirements from investors	The Company's policy on ESG and climate change may be out of line with ESG practices in accordance with which investors are looking to invest.	The Manager has integrated the consideration of ESG factors into the Company's investment process. Further details are set out in the ESG report on pages 18 to 23.

Geopolitical Risks

Geopolitical Instability	Geopolitical Risk is the potential for political, socio-economic and cultural events and developments to have an adverse effect on the value of the Company's assets. The Company and its assets may be impacted by geopolitical instability, in particular concerns over global economic growth. The crisis in Ukraine has already affected energy and commodity markets and may cause further damage to the global economy. The ongoing conflict between Russia and Ukraine has heightened the possibility that tensions will spill over and intensify geo-political unrest between other countries sharing a common border.	There is little direct control of risk possible. The Company addresses these global developments through regular questioning of the Manager and will continue to monitor these issues as they develop. The Board has the ability, with shareholder approval, to amend the policy and objectives of the Company to mitigate the risks arising from geopolitical concerns.
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Long Term Viability

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

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

The Company is an investment trust that has been in existence for more than 20 years, having invested resolutely through many difficult economic and market cycles, including the COVID-19 crisis and the recent heightened market volatility. Its objective is to achieve long-term capital growth through investment in small-sized and medium-sized Japanese companies. The Board is cognisant of the recent market uncertainty, which has now been exacerbated by Russia's invasion of Ukraine, together with its impact on Japan and the global economy and the prospects for many of the Company's portfolio holdings. Notwithstanding this crisis, the Board has taken account of the Company's current position, the principal and emerging risks that it faces, including climate change and the COVID-19 pandemic and their potential impact on its future development and prospects, and the mitigation measures which key service providers, including the Manager, have in place to maintain operational resilience and business continuity, and the Board expects the Company to continue for the foreseeable future and has conducted its assessment for a period of five years. The Board regularly monitors the financial position of the Company, including the possible impact of negative market movements on cash flows and the liquidity of the portfolio. Scenario stress testing is considered when the Board considers the viability of the Company. The methods used are:

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

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

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

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

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

22nd June 2022

Duty to Promote the Success of the Company

Section 172 of the Companies Act 2006 ('Companies Act') states that: A Director of a company must act in the way he considers, in good faith, would be most likely to promote the

success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the following six items.

The likely consequences of any decision in the long term;

In managing the Company, the aim of the Board and of the Manager is always to ensure the long-term sustainable success of the Company and, therefore, the likely long-term consequences of any decision are a key consideration. In managing the Company during the year under review, we acted in the way which we considered, in good faith, would be most likely to promote the Company's long-term sustainable success and to achieve its wider objectives for the benefit of our shareholders as a whole, having had regard to our wider stakeholders and the other matters set out in section 172 of the Companies Act.

The interests of the Company's employees

The Company does not have any employees.

The need to foster the Company's business relationships with suppliers, customers and others;

The Board's approach is described under 'Stakeholders' below.

The impact of the Company's operations on the community and the environment;

The Board takes a close interest in ESG issues and sets the overall strategy. The Manager has integrated ESG considerations into the Company's investment process. Further details are set out in the Company's ESG report on pages 18 to 23.

The desirability of the Company maintaining a reputation for high standards of business conduct; and

The Board's approach is described under The Company's Purpose, Values, Strategy and Culture on page 29.

The need to act fairly as between members of the Company.

The Board's approach is described under 'Stakeholders' on the next page.

The Board is responsible for all decisions relating to the Company's investment objective and policies, gearing, discount management, corporate governance and strategy, and for monitoring the performance of the Company's third party service providers, including the Manager.

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

As an externally managed investment company with no employees, the Board considers that the Company's key stakeholders are its shareholders, its Manager, its investee

companies, its other professional third party service providers (corporate broker, registrar, auditor, custodian and depositary) and wider society.

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

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

Duty to Promote the Success of the Company

Stakeholder	Engagement during the year	Outcome - examples
Shareholders		
Continued shareholder support and engagement are critical to the continued existence of the Company and the successful delivery of its long-term strategy.	The Company has a large number of shareholders, including professional and private investors. The Board is focused on fostering and maintaining good working relationships with shareholders and understanding the views of shareholders in order to incorporate them into the Board's strategic thinking and objectives. Over the years, the Company has developed various ways of engaging with its shareholders, in order to gain an understanding of their views. These include: <i>Annual General Meeting</i> – The Company welcomes attendance from shareholders at AGMs. At the AGM, the Manager always delivers a presentation and all shareholders have an opportunity to meet the Directors and ask questions; <i>Information from the Manager</i> – The Manager provides written reports with the annual and interim results, as well as monthly Factsheets which are available on the Company's website. Their availability is announced via the stock exchange; <i>Working with external partners</i> – The Board receives regular updates from its Corporate Broker on all aspects of shareholder communications and views; <i>Feedback from shareholders</i> – The Board values the feedback and questions that it receives from shareholders and takes note of individual shareholders' views in arriving at decisions which are taken in the best interests of the Company and of shareholders as a whole. The Chairman meets major shareholders and welcomes enquiries and feedback from all shareholders. The Chairman or any other member of the Board can be contacted via the Corporate Broker, which is independent of the Manager.	The Company's website has recently been enhanced with improvements to the user experience.

Duty to Promote the Success of the Company

Stakeholder	Engagement during the year	Outcome - examples
Manager		
The Manager's performance, in particular that of the investment management team who are responsible for managing the Company's portfolio, is fundamental to the long term success of the Company and its ability to deliver its investment strategy and meet its objective. The Manager also provides administrative support and promotes the Company through its investment trust sales and marketing team.	Maintaining a close and constructive working relationship with the Manager is crucial as the Board and the Manager aim to continue to achieve long-term returns in line with the Company's investment objective. The Board monitors the Company's investment performance at each Board meeting. It also maintains strong lines of communication with the Manager via its dedicated company secretary and Client Director who interactions extend well beyond the formal business of board meetings. This enables the Board to remain regularly informed of the views of the Manager and the Company's shareholders (and vice versa).	During the year, the Board worked with the Manager to oversee and agree changes to the investment management team.
Stakeholder	Engagement during the year	Outcome - examples
Investee companies		
The performance of investee companies in the portfolio is important to the delivery of Company's strategy and returns. The Board is committed to responsible investment and monitors the activities of investee companies through its delegation to the Manager.	The Manager, on behalf of the Company, engages with investee companies, including on ESG matters including governance and exercises its votes at company meetings. Details of the Manager's voting policy can be found on page 51. The Board monitors investments made and divested. It also challenges the Manager's rationale for the exposures taken and voting decisions made.	The Company actively votes at investee company meetings. Details of the voting undertaken during the year can be found on page 22.
Other service providers		
The Company has engaged key service providers, each of which provides a vital service to the Company to promote its success and ultimately to its shareholders. While all service providers are important to the operations of the Company, in this context the key service providers are the Custodian, Depositary, Auditor, Corporate Broker and Registrar. These service providers are considered to have appropriate capability, performance records, resources and controls in place to deliver the services that the Company requires for support in meeting relevant obligations and safeguarding the Company's assets.	The Board maintains regular contact with its key external service providers, either directly, or via its dedicated company secretary or client director, and receives regular reporting from these providers at Board and Committee meetings. The Management Engagement Committee meets annually to review and appraise its key service providers, including performance, level of service and cost. Each provider is an established business and each is required to have in place suitable policies to ensure that they maintain high standards of business conduct, treat customers fairly, and employ corporate governance best practice.	During the year, the Audit Committee undertook a competitive audit tender. Details can be found on page 53.

Duty to Promote the Success of the Company

Stakeholder	Engagement during the year	Outcome - examples
Wider Society and the Environment		
Whilst strong long term investment performance is essential for an investment trust, the Board recognises that to provide an investment vehicle that is sustainable over the long term, both it and the Manager must have regard to ethical and environmental issues that impact society.	ESG considerations are integrated into the Manager's investment process and this will continue to evolve. Further details of the Manager's integrated approach to ESG can be found on pages 18 to 23.	The Company's ESG Report can be found on pages 18 to 23.

Key Decisions and Actions

Principal decisions

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

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

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

Dividends Payable to Shareholders

The Company's revised dividend policy has now been in place for four years. It aims to pay, in the absence of unforeseen circumstances, a regular quarterly dividend equal to 1% of the Company's NAV on the last business day of the preceding financial quarter, being the end of March, June, September and December. Over the year this would approximate to 4% of the average NAV. This dividend is paid from a combination of the other reserves. In respect of the year to 31st March 2022, quarterly dividends totaling 20.3p (2021: 21.9p) per share were declared.

Portfolio Management Team Changes

The Board engaged with the head of the JPM Japan's investment management team in January 2022 and agreed to the proposed changes in the Company's investment management team that were necessitated by the resignation of the Company's previous lead manager.

Change of Benchmark Index

The Company's benchmark was the S&P Japan SmallCap Net Return Index (in sterling terms) up to 31st March 2021. With effect from 1st April 2021, the Board agreed the change of benchmark to the to the MSCI Japan Small Cap Index (in sterling terms), which has very similar long term performance but is more widely recognised.

Change of Auditor

During the year under review, the Audit Committee undertook an audit tender on behalf of the Company for the purposes of best corporate governance practice and to ensure that the audit service provided good value for shareholders, whilst also maintaining a high quality of statutory audit.

Following the tender process, which included presentations and proposals from three firms, Johnston Carmichael LLP was appointed auditor to the Company with effect from 10th December 2021.

Managing the Company's Discount

One of the objectives of the Company's revised dividend policy was to enhance the Company's appeal to a broader audience of investors. Since its introduction, we note some narrowing of the Company's discount to NAV, driven by new demand and positive press commentary. Over the period, the Company's discount narrowed from 8.7% to 7.4%. The Company did not repurchase any shares during the year. However, the Board continues to monitor the discount closely with its advisers and is prepared to repurchase shares when it feels that it is appropriate, taking into account market conditions. To ensure that the Board continue to have the power to manage the Company's discount and issue shares in the Company, they recommend that shareholders vote in favour of the resolutions to renew the allotment and buy back authorities at the Company's Annual General Meeting.

Duty to Promote the Success of the Company

Key Decisions and Actions

Other Actions that Continue to Promote the Success of the Company

In addition, the Directors have kept under review the competitiveness of the management fee and the Company's other operating costs; continued to hold the Manager to account on investment performance; undertaken a robust review of the principal and emerging risks faced by the Company; and continued to encourage the Manager and the Broker to enhance its sales, marketing and PR efforts, having initiated a series of new promotional strategies to raise the Company's awareness. Furthermore, throughout the course of the COVID-19 pandemic the Board has been in regular contact with the Manager, receiving frequent updates on the operational effectiveness of the Manager and key service providers and on areas such as portfolio activity, portfolio liquidity, gearing and the discount to NAV at which the Company's shares trade.



Board of Directors



Alexa Henderson** (Chairman of the Board of Directors)

A Director since 2016.

Last reappointed to the Board: 2021.

Alexa Henderson is a Non-Executive Director of abrdn UK Smaller Companies Growth Trust plc, BMO Real Estates Investments Ltd and Bravura Solutions Limited. She is a member of the Institute of Chartered Accountants of Scotland.

Shared directorships with other Directors: None.

Shareholding in Company: 9,265.



Tom Walker** (Chairman of the Audit Committee)

A Director since 2019.

Last appointed to the Board: 2021.

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

Shared directorships with other Directors: None.

Shareholding in Company: 11,000.



Deborah Guthrie**

A Director since 2015.

Last reappointed to the Board: 2021.

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

Shared directorships with other Directors: None.

Shareholding in Company: 14,610.



Yuuichiro Nakajima**

A Director since 2014.

Last reappointed to the Board: 2021.

Yuuichiro Nakajima is founder and Managing Director of Crimson Phoenix, a specialist cross-border M&A advisory firm, providing advice on Japan-related transactions and a range of corporate strategy initiatives from offices in Tokyo, London and Frankfurt. A former member of the Executive Board of the British Chamber of Commerce in Japan and of the Council of the Japanese Chamber of Commerce and Industry in the UK, Yuuichiro spent 10 years with S.G. Warburg (later SBC Warburg) and four years with PricewaterhouseCoopers, amongst other firms. He is Chairman of Japan H.L. Limited, which operates Japan House London.

Shared directorships with other Directors: None.

Shareholding in Company: 5,471.



Martin Shenfield**

A Director since 2019.

Last appointed to the Board: 2021.

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

Shared directorships with other Directors: None.

Shareholding in Company: 8,000.

* Member of the Audit Committee. ‡ Member of the Nomination Committee.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31st March 2022.

Management of the Company

The Manager of and Company Secretary to the Company is JPMF. Active management of the Company's assets is delegated to JPMAM Japan through JPMAM UK. The Manager and Company Secretary are employed under a contract terminable on six months' notice, without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

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

The current Management Agreement was entered into with effect from 1st July 2014 following the implementation of a number of changes required by the AIFMD, as set out below.

The Board conducts a formal evaluation of the performance of, and contractual relationship with, the Manager on an annual basis. Part of this evaluation includes a consideration of the management fees and whether the service received represents value for money for shareholders. No separate Management Engagement Committee has been established because all Directors are considered to be independent of the Manager and, given the nature of the Company's business, it is felt that all Directors should take part in the review process. The Board has thoroughly reviewed the performance of the Manager during the course of the year. The review covered the performance over the long term of the Manager, its management processes, consideration of the investment strategy, resources and risk controls and the quality of support that the Company received, including the marketing support provided. The evaluation was carried out in February 2022. As a result of that process, the Board confirms that it is satisfied that the continuing appointment of the Manager and the Company Secretary is in the interests of shareholders as a whole.

The Alternative Investment Fund Managers Directive ('AIFMD')

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

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

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

JPMF's remuneration disclosures are set out on page 88.

Management Fee

The investment management is charged at the rate of 1% per annum of the Company's NAV up to £150 million and at the rate of 0.75% per annum on any amount in excess thereof.

The fee is calculated and paid monthly.

Directors

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

In accordance with corporate governance best practice, all Directors will retire at the Company's forthcoming Annual General Meeting and, being eligible, will offer themselves for reappointment by shareholders.

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

Director Indemnification and Insurance

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

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

Directors' Report

Disclosure of Information to Auditors

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

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

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

Independent Auditor

Johnston Carmichael LLP, auditor to the Company, appointed on 10th December 2021, has expressed its willingness to continue in office as the Auditor to the Company and a resolution to appoint Johnston Carmichael LLP and authorise the Directors to determine its remuneration for the ensuing year will be proposed at the Annual General Meeting.

Capital Structure and Voting Rights

Capital Structure

At 31st March 2022, the Company's share capital comprised 55,944,560 Ordinary shares of 10p each, of which 1,434,221 were held in Treasury. The Ordinary shares have a premium listing on the London Stock Exchange.

Voting Rights in the Company's Shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 16 to the Notice of Meeting on page 93.

Notifiable Interests in the Company's Voting Rights

As at 31st March 2022, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	% voting rights ¹
Lazard Asset Management LLC	8,707,969	15.97
City of London Investment Management	6,935,361	12.72
Allspring Global Investments Holdings, LLC	5,964,077	10.94
1607 Capital Partners	2,480,344	4.55
Derbyshire County Council	1,457,500	2.67

¹ At the time of announcement.

Since the year end, there has been no changes to the notifiable interests notified to the Company.

Miscellaneous Information

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

Information about the Company's financial instruments, the risk management objectives and the policies arising from them and the exposure of the Company to risk are disclosed in note 22 on pages 80 to 85.

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

Regarding future developments of the Company, the outlook for the next 12 months is set out in the Chairman's Statement on pages 8 to 11 and the Investment Managers' Report on pages 12 to 17.

Listing Rule 9.8.4R

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

Annual General Meeting

The notice convening the Annual General Meeting of the Company to be held on 27th July 2022 is given on pages 90 to 93. The full text of the Resolutions is set out in the notice of meeting. Among the Resolutions being proposed are the following:

(i) Dividend policy (Resolution 4)

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

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

Directors' Report

(ii) Authority to allot new Ordinary shares and to disapply statutory pre-emption rights (Resolutions 11 and 12)

The Directors will seek renewal of the authority at the Annual General Meeting to issue new Ordinary shares for cash, or reissue Ordinary shares from Treasury, up to an aggregate nominal amount of £545,103, such amount being equivalent to approximately 10% of the present issued Ordinary share capital (excluding Treasury shares) as at the last practicable date before the publication of this document or, if different, the number of Ordinary shares which is equal to 10% of the Company's issued share capital (excluding Treasury shares) as at the date of the passing of the Resolution. This authority will expire at the conclusion of the Annual General Meeting of the Company in 2023 unless renewed at a prior general meeting.

Resolution 12 will enable the allotment of Ordinary shares otherwise than by way of a pro rata issue to existing shareholders.

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

(iii) Authority to repurchase the Company's shares (Resolution 13)

The authority to repurchase up to 14.99% of the Company's issued Ordinary shares, granted by shareholders at the 2021 Annual General Meeting, will expire on 27th January 2023 unless renewed at the forthcoming Annual General Meeting. The Directors consider that the renewal of this authority is in the interests of shareholders as a whole, as the repurchase of Ordinary shares at a discount to the underlying NAV enhances the NAV of the remaining Ordinary shares.

Resolution 13 gives the Company authority to repurchase its own issued Ordinary shares in the market as permitted by the Companies Act 2006. The authority limits the number of shares that could be purchased to a maximum of 8,171,099 of the Company's issued Ordinary shares (excluding Treasury shares) as at the latest practicable date before the publication of this document or, if different, the number of Ordinary shares which is equal to approximately 14.99% of the Company's issued Ordinary share capital (excluding Treasury shares) as at the date of the passing of the Resolution. The authority also sets minimum and maximum prices.

If Resolution 13 is passed at the Annual General Meeting, the Board may repurchase shares for cancellation or hold them in Treasury pursuant to the authority granted to it for possible reissue at a premium to NAV. Repurchases will be made at the discretion of the Board and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining Ordinary shares. This authority will expire on 27th January 2024, or when the whole of the relevant 14.99% has been acquired, whichever is the earlier. However it is the Board's intention to seek renewal of the authority at the 2023 Annual General Meeting.

Recommendation

The Board considers that the Resolutions to be proposed at the AGM are likely to promote the success, of the Company, and are in the best interests, of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the Resolutions as they intend to do, where voting rights are exercisable, in respect of their own beneficial holdings which, as at the date of this report, amounted in aggregate to 48,346 Ordinary shares with voting rights representing approximately 0.1% of the voting rights of the Company.

Corporate Governance Statement

Compliance

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

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

Copies of the UK Code and the AIC Code may be found on the respective organisations' websites: www.frc.org.uk and www.theaic.co.uk.

Role of the Board

A management agreement between the Company and JPMF sets out the matters which have been delegated to the Manager. This includes management of the Company's

Corporate Governance Statement

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

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

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

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

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

Board Composition

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

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. The Board has considered whether a Senior Independent Director should be appointed and has concluded that, due to the Company's nature of business as an investment trust and because the Board is comprised entirely of non-executive Directors, this is unnecessary at present. However, the Chairman of the Audit Committee leads the evaluation of the Chairman and may be contacted by shareholders if they have concerns that cannot be resolved through discussions with the Chairman.

Reappointment of Directors

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

Resolution 5 is for the reappointment of Alexa Henderson, who joined the Board in April 2016. Alexa is a qualified chartered accountant. She is also on the board of BMO Real Estate Investments Ltd., Standard Life UK Smaller Cos. Trust Plc and Bravura Solutions Ltd. Alexa was formerly a Managing Director of the WM company.

Resolution 6 is for the reappointment of Yuuichiro Nakajima, who joined the Board in April 2014. Yuuichiro has over 35 years of corporate finance experience and has, over the last 19 years, been managing a M&A and strategic advisory firm specialising in Japan-related cross-border transactions. Having spent nearly half of his working life in Japan and the other half in the UK, Yuuichiro is well-versed in Japanese and British business, finance and corporate governance practices.

Resolution 7 is for the reappointment of Deborah Guthrie, who joined the Board in April 2015. Deborah is an experienced Japanese equity research sales specialist with Pelham Smithers Associates based in London. She previously held senior Japanese equity sales roles at Hoare Govett and Smith New Court and at Merrill Lynch.

Resolution 8 is for the reappointment of Martin Shenfield, who joined the Board in July 2019. Martin has over 35 years' international fund management experience including overseeing global asset allocation and holding CIO roles. He has also in the past inter alia managed various Japanese equity funds and mandates. Previously he has established and launched several listed closed-end funds as well as acting as a non-executive director of investment companies.

Resolution 9 is for the reappointment of Tom Walker, who joined the Board in July 2019. Tom is a qualified chartered accountant. He spent his executive career in asset management where he was an investment manager for over 30 years with responsibility for funds including a number of investment trusts. He is a non-executive director of one other investment trust company.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be reappointed by shareholders. Thereafter, a Director's appointment is subject to a performance evaluation carried out each year and the approval of shareholders at each Annual General Meeting, in accordance with corporate governance best practice. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking

Corporate Governance Statement

reappointment but, when making a recommendation, the Board will take into account the requirements of the UK Corporate Governance Code and the AIC Code, including the need to refresh the Board and its Committees periodically. The tenure of each independent, non-executive director, including the Chairman, is not ordinarily expected to exceed nine years, unless there are exceptional circumstances to do so.

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

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

	2022	2023	2024	2025	2026	2027	2028	2029
Yuuichiro Nakajima								
Deborah Guthrie								
Alexa Henderson								
Thomas Walker								
Martin Shenfield								

Key - Tenure

● 0 – 6 years ● 7 – 8 years ● 9+ years

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

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

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

Induction and Training

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

Meetings and Committees

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

The table below details the number of formal Board and Committee meetings attended by each Director. During the year there were five Board meetings, which included a private session of the Directors to evaluate the Manager, two Audit Committee meetings and one Nomination Committee meeting. These meetings were supplemented by additional meetings held to cover procedural matters and formal approvals. In addition, there was a Board strategy meeting and regular contact between the Directors, the Manager and the Company Secretary throughout the year.

Meetings Attended

Director	Board	Audit Committee	Nomination Committee
Current Directors			
Alexa Henderson	5/5	2/2	1/1
Deborah Guthrie	5/5	2/2	1/1
Yuuichiro Nakajima	5/5	2/2	1/1
Thomas Walker	5/5	2/2	1/1
Martin Shenfield	5/5	2/2	1/1

Board Committees

Nomination Committee

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

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

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

Questionnaires, prepared by a firm of independent consultants, are completed by each Director. The responses are collated and then discussed by the Committee. The

Corporate Governance Statement

evaluation of individual Directors is led by the Chairman who also meets with each Director. The Audit Committee Chairman leads the evaluation of the Chairman's performance.

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

Audit Committee

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

Terms of Reference

The Nomination Committee and the Audit Committee have written terms of reference which define clearly their respective responsibilities, copies of which are available on the Company's website and for inspection on request at the Company's registered office and at the Company's 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 twice a year by way of the annual report and financial statements and the half year report. These are supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's Ordinary shares and the Company's level of gearing.

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

During the year, the Company's brokers, the Investment Managers and JPMF hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to support these meetings and to address shareholder queries and consult major shareholders on an annual basis. The Directors may be contacted through the Company Secretary whose details are shown on page 97. Questions can also be raised through the link on the Company's website www.jpmmjapangrowthandincome.co.uk.

The Company's Annual Report and Financial Statements are published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders

wishing to raise questions in advance of the meeting are encouraged to do so via the Company's website or write to the Company Secretary at the address shown on page 97.

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

Risk Management and Internal Control

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

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

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

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

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

- **Financial Reporting**

Regular and comprehensive review by the Board of key investment and financial data, including management

Corporate Governance Statement

accounts, revenue projections, analysis of transactions and performance comparisons.

• Management

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

• Management Systems

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

• Investment Strategy

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

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

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

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal controls for the year ended 31st March 2022 and to the date of approval of this Annual Report and Financial Statements.

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

Corporate Governance and Voting Policy

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

Corporate Governance

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

Proxy Voting

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

Stewardship/Engagement

JPMAM UK recognises its wider stewardship responsibilities to its clients as a major asset owner. To this end, we support the introduction of the FRC Stewardship Code 2020, which sets out the responsibilities of institutional shareholders in respect of investee companies. Under the Code, managers should:

- *publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients;*
- *disclose their policy on managing conflicts of interest;*
- *monitor their investee companies;*
- *establish clear guidelines on how they escalate engagement;*
- *be willing to act collectively with other investors where appropriate;*
- *have a clear policy on proxy voting and disclose their voting record; and*
- *report to clients.*

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

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

Corporate Governance Statement

Japanese Stewardship and Corporate Governance Codes

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

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

A Corporate Governance Code was introduced in June 2015 (and revised in June 2018). Reforms to the Japanese Companies Act are also due to be implemented from June 2021 through to June 2023. The Japanese Government's focus on corporate governance is part of its efforts to revitalise the Japanese economy and improve corporate profitability.

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

22nd June 2022

Audit Committee Report

Audit Committee Report

The Audit Committee, chaired by Tom Walker, comprises all Directors and meets at least twice each year. The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. At least one member of the Committee has recent and relevant financial experience and the committee as a whole has competency relevant to the sector in which the Company operates. The Board has taken the decision that Alexa Henderson should be a member of the Committee because she is independent.

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

Financial Statements and Significant Accounting Matters

During its review of the Company's financial statements for the year ended 31st March 2022, the Committee considered the following significant issues, including those communicated by the Auditor during its reporting:

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	In accordance with the accounting policies, disclosed in note 1(b) to the financial statements on page 72. Controls were in place to ensure that valuations were appropriate and existence was verified through the Depositary and the Custodian reconciliations. The Board and the Committee monitors controls and significant movements in the underlying portfolio by reviewing reports regularly in Board and Committee Meetings.
Recognition and completeness of investment income	The recognition of investment income was undertaken in accordance with accounting policy note 1(d) to the financial statements on page 72. The Board and the Committee regularly reviewed subjective elements of income such as special dividends and agreed their accounting treatment.
Compliance with Sections 1158 and 1159 of the Corporation Tax Act 2010	Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1st April 2012 was obtained and ongoing compliance with the eligibility criteria was monitored on a regular basis.

Change of Auditor

The Committee undertook an audit tender on behalf of the Company, which included a review of proposals from three audit firms. Following a robust audit tender, the Board, on recommendation from the Committee, appointed

Johnston Carmichael LLP to fill the casual vacancy following the resignation of the incumbent auditor.

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

Going Concern

The Directors believe that, having considered the Company's investment objective (see inside front cover), risk management policies (see pages 80 to 85), liquidity risk, capital management policies and procedures (see page 86), the nature of the portfolio, the Company's principal and emerging risks (pages 33 to 36) and expenditure and cashflow projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements. They have not identified any material uncertainties to the Company's ability to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements.

Having taken all available information into consideration and having discussed the contents of the Annual Report and Financial Statements with the AIFM, the Investment Managers, the Company Secretary and other third party service providers, the Committee has concluded that the Annual Report for the year ended 31st March 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 60.

Risk Management and Internal Control

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

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

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

Audit Committee Report

relevant to the Company and/or the Managers' investment risk business are reported to the Board.

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

Audit Tender and Appointment of Auditor

In the latter half of the year under review, the Committee carried out a competitive external audit tender process. Four firms were invited to tender, one of whom (the former auditor; Grant Thornton) declined the invitation to tender.

Following a transparent and competitive tender, including written submission, presentations and discussions with three audit firms, the Committee recommended to the Board the appointment of Johnston Carmichael LLP, whose audit firm has extensive experience in auditing investments trusts, to replace Grant Thornton. The Board supported this recommendation and a resolution proposing the appointment of Johnston Carmichael LLP as auditor to the Company will be put to shareholders at the forthcoming Annual General Meeting.

David Holmes is the audit partner at Johnston Carmichael LLP and this is his first year as audit partner to the Company. The Committee acknowledges that rotating the audit partner provides a fresh perspective on the audit responsibilities for the Company. On reaching the ten year mark in 2032, the Company will be required to hold a tender again where the incumbent auditor may be reappointed for a further ten year term. At the end of a second ten year term (i.e. when an auditor has been in place for 20 years) a tender must be held again and a new auditor appointed. Details of the fees paid for audit services are included in note 6 on page 75.

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

Fair, Balanced and Understandable

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31st March 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 60.

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

22nd June 2022



Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 31st March 2022, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 as amended.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in its report on pages 62 to 67.

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

Directors' Remuneration Policy

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

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

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

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

In the year under review, Directors' fees were paid at the following annual rates: Chairman £38,500; Chairman of the Audit Committee £31,000; and other Directors £26,000. With effect from 1st April 2022, Directors' annual fees have been revised to the following annual rates: Chairman £39,000; Chairman of the Audit Committee £31,500; and, other Directors £26,500.

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

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

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

Directors' Remuneration Policy Implementation

The Directors' Remuneration Report, which includes details of the Directors' remuneration policy and its implementation, is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. There have been no changes to the policy compared with the year ended 31st March 2022 and no changes are proposed for the year ending 31st March 2023.

At the Annual General Meeting held on 28th July 2021, of votes cast in respect of the Remuneration Policy, 99.77% of votes cast were in favour (or granted discretion to the Chairman who voted in favour) and 0.23% voted against. Abstentions were received from less than 0.1% of the votes cast. In respect of the Remuneration Report 99.74% of votes cast were in favour (or granted discretion to the Chairman who voted in favour) and 0.26% voted against. Abstentions were received from less than 0.1% of the votes cast.

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

Single Total Figure of Remuneration

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

Directors' Remuneration Report

Single Total Figure Table¹

Directors' Name	Fees £	2022 Taxable expenses ² £	Total £	Fees £	2021 Taxable expenses ² £	Total £
Deborah Guthrie	26,000	—	26,000	25,000	—	25,000
Alexa Henderson	38,500	1,436	39,936	37,500	—	37,500
Yuuichiro Nakajima	26,000	162	26,162	25,000	—	25,000
Martin Shenfield	26,000	—	26,000	25,000	—	25,000
Thomas Walker	31,000	669	31,669	30,000	—	30,000
Total	147,500	2,267	149,767	142,500	—	142,500

¹ Audited information. Other subject headings for the single figure table as prescribed by regulation are not included because there is nothing to disclose in relation thereto. A total amount of £13,000 (2021: £9,601) was paid on National Insurance.

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

Annual Percentage Change in Directors' Remuneration

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

Director	Percentage change for the year to 31st March 2022	Percentage change for the year to 31st March 2021
Deborah Guthrie	4.0%	0.0%
Alexa Henderson ¹	2.7%	6.9%
Yuuichiro Nakajima	4.0%	0.0%
Martin Shenfield ²	4.0%	48.2%
Thomas Walker ³	3.3%	48.2%

¹ Appointed Chairman on 29th July 2019

² Appointed to the Board on 29th July 2019

³ Appointed to the Board on 29th July 2019 and assumed role of Audit Committee Chairman

Remuneration for the Chairman over the Five Years Ended 31st March 2022

Year ended 31st March	Fees
2022	£38,500
2021	£37,500
2020	£37,500
2019	£36,000
2018	£35,000

Directors' Shareholdings¹

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

Directors' Name	31st March 2022	31st March 2021 or as at date of appointment
Ordinary shares held		
Deborah Guthrie	14,610	14,610
Alexa Henderson	9,265	5,275
Yuuichiro Nakajima	5,471	5,471
Thomas Walker	11,000	5,000
Martin Shenfield	8,000	8,000

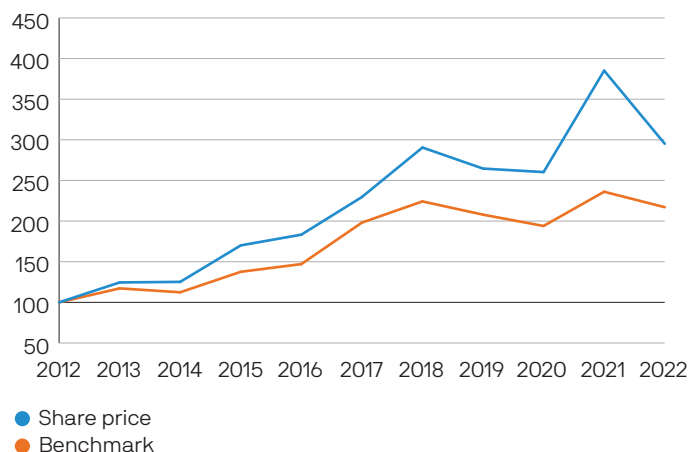
¹ Audited information.

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

Directors' Remuneration Report

In accordance with the Companies Act 2006, a graph showing the Company's share price total return compared with its benchmark, the MSCI Japan Small Cap Index, over the last ten years is shown below. Although the Investment Managers do not track this Index, there is no formal benchmark that closely reflects the Company's stated investment policy, therefore this is considered the nearest match available.

Ten Year Ordinary Share Price and Benchmark Total Return to 31st March 2022 (rebased)



Source: Morningstar/Datastream.

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

Relative Importance of Spend on Pay (Audited)

The following table compares the remuneration paid to the Directors with aggregate distributions to Shareholders in the year to 31st March 2022 and the prior year. This disclosure is a statutory requirement.

	Year ended 31st March		
	2022	2021	Change
Remuneration paid to all Directors	147,500	142,500	3.5%
Taxable expenses paid to Directors	2,267	—	—
Distribution to shareholders			
— by way of dividend	11,883,000	11,120,000	6.9%

For and on behalf of the Board

Deborah Guthrie
Director

22nd June 2022



Statement of Directors' Responsibilities

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

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

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

and the Directors confirm that they have done so.

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

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

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

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

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

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

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

For and on behalf of the Board

Deborah Guthrie

Director

22nd June 2022



Independent Auditor's Report

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

Opinion

We have audited the financial statements of JPMorgan Japan Small Cap Growth & Income plc ('the Company'), for the year ended 31st March 2022, which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows, and the related notes, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31st March 2022 and of its loss for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practices; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach to the audit

We planned our audit by first obtaining an understanding of the Company and its environment, including its key activities delegated by the Board to relevant approved third-party service providers and the controls over provision of those services.

We conducted our audit using information maintained and provided by JPMorgan Funds Limited (the 'Manager', the 'Company Secretary' and the 'Administrator') and JPMorgan Chase Bank, N.A. (the 'Custodian'), to whom the Company has delegated the provision of services.

We tailored the scope of our audit to reflect our risk assessment, taking into account such factors as the types of investments within the Company, the involvement of the Administrator, the accounting processes and controls, and the industry in which the Company operates.

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in the evaluation of the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

We summarise below the key audit matters in arriving at our audit opinion above, together with how our audit addressed these matters and the results of our audit work in relation to these matters.

Independent Auditor's Report

Key Audit Matter

How our audit addressed the key audit matter and our conclusions

Valuation and ownership of investments

(as described on page 53 in the Audit Committee Report and as per the accounting policy 1(b) and note 11).

The investment portfolio comprised entirely of quoted investments. The valuation of the portfolio at 31st March 2022 was £229.9 million (2021: £324.0 million), equating to 106.1% (2021: 108.1%) of net assets.

As this is the largest component of the Company's Statement of Financial Position and a key driver of the Company's net assets and total return, this has been designated as a key audit matter, being one of the most significant assessed risks of material misstatement due to fraud or error.

There is a further risk that the investments held at fair value may not be actively traded and the quoted prices may not be reflective of their fair value (valuation).

Additionally, there is a risk that the Company does not have proper legal title to the investments recorded as held at year end (ownership).

We obtained and assessed controls reports provided by JPMorgan Chase Bank, N.A. (the Custodian) and JPMorgan Funds Limited (the Administrator) to gain an understanding of the design and implementation of key controls.

We compared the market prices and exchange rates applied to all quoted investments held at 31st March 2022 to an independent third-party source and recalculated the investment valuations.

We obtained the average trading volumes from an independent third-party source for all investments held at year end and assessed their liquidity.

We agreed 100% of the investments held to an independently obtained custodian report.

From our completion of these procedures, we identified no material misstatements in relation to the valuation and ownership of the investments.

Revenue recognition including the allocation of special dividends as revenue and capital returns

(as described on page 53 in the Audit Committee Report and as per the accounting policy 1(d) and note 4).

Investment income recognised in the year was £3.9 million (2021: £3.5 million) consisting of dividend income from quoted investments. Revenue-based performance metrics are often one of the key performance indicators for stakeholders. The investment income received by the Company during the year directly impacts these metrics and the minimum dividend required to be paid by the Company. There is a risk that revenue is incomplete or inaccurate through failure to recognise income entitlements or failure to appropriately account for their treatment. It has therefore been designated as a key audit matter being one of the most significant assessed risks of material misstatement due to fraud or error.

Additionally, judgement is required in determining the allocation of special dividends as revenue or capital returns in the Statement of Comprehensive Income.

We obtained and assessed controls reports provided by the Administrator to gain an understanding of the design and implementation of key controls.

We confirmed that income was recognised and disclosed in accordance with the AIC SORP by assessing the accounting policies.

We recalculated 100% of dividends due to the Company based on investment holdings throughout the year and announcements made by investee companies.

We agreed a sample of dividends received to bank statements.

We assessed the completeness of the special dividend population and determined whether special dividends recognised were revenue or capital in nature with reference to the underlying circumstances of the investee companies' dividend payments.

From our completion of these procedures, we identified no material misstatements in relation to revenue recognition, including allocation of special dividends as revenue or capital returns.

Independent Auditor's Report

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person

would be changed or influenced. We use materiality in determining the nature and extent of our work and in evaluating the results of that work.

Materiality measure

Value

Materiality for the financial statements as a whole – we have set materiality as 1% of net assets as we believe that net assets is the primary performance measure used by investors and is the key driver of shareholder value. It is also the standard industry benchmark for materiality for investment trusts and we determined the measurement percentage to be commensurate with the risk and complexity of the audit and the Company's listed status.

£2,167,000

Performance materiality – performance materiality represents amounts set by the auditor at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

£1,084,000

In setting this we consider the Company's overall control environment, and any experience of the audit that indicates a lower risk of material misstatements. Based on our judgement of these factors, we have set performance materiality at 50% of our overall financial statement materiality as this is our first year as auditor.

Specific materiality – recognising that there are transactions and balances of a lesser amount which could influence the understanding of users of the financial statements we calculate a lower level of materiality for testing such areas.

Specifically, given the importance of the distinction between revenue and capital for the Company, we applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income set at the higher of 5% of the revenue net return before taxation and our Audit Committee Reporting Threshold.

£108,000

We have also set a separate specific materiality in respect of related party transactions and Directors' remuneration.

We used our judgement in setting these thresholds and considered our experience and industry benchmarks for specific materiality.

Audit Committee reporting threshold – we agreed with the Audit Committee that we would report to them all differences in excess of 5% of overall materiality in addition to other identified misstatements that warranted reporting on qualitative grounds, in our view. For example, an immaterial misstatement as a result of fraud.

£108,000

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's method of assessing going concern, including consideration of market conditions and uncertainties such as COVID-19;

- Assessing and challenging the forecast cashflows and associated sensitivity modelling including assessment of the bank loan and covenants, used by the Directors in support of their going concern assessment;
- Obtaining and recalculating management's assessment of the Company's ongoing maintenance of investment trust status;
- Evaluating management's assessment of the business continuity plans of the Company's main service providers; and
- Assessing the adequacy of the Company's going concern disclosures included in the Annual Report.

Independent Auditor's Report

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

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- A corporate governance statement has not been prepared by the Company.

Corporate governance statement

We have reviewed the Directors' Statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the entity's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 53;
- The Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 37;
- The Directors' statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on page 37;
- The Directors' statement on fair, balanced and understandable set out on page 54;
- The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 33;
- The section of the annual report that describes the review of the effectiveness of risk management and internal control systems set out on page 50; and

Independent Auditor's Report

- The section describing the work of the Audit Committee set out on pages 53 and 54.

Responsibilities of Directors

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

Auditor responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- Companies Act 2006;
- FCA listing and DTR rules;
- The principles of the UK Corporate Governance Code applied by the AIC Code of Corporate Governance (the 'AIC Code');
- Industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ('the SORP') issued in November 2014, and updated in April 2021 with consequential amendments;
- Financial Reporting Standard 102; and
- The Company's qualification as an investment trust under section 1158 of the Corporation Tax Act 2010.

We gained an understanding of how the Company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to the valuation and ownership of investments. Audit procedures performed in response to these risks are set out in the section on key audit matters above.

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006 and the Listing Rules;
- Testing of accounting journals and other adjustments for appropriateness;
- Assessing judgements and estimates made by management for bias; and
- Agreement of the financial statement disclosures to supporting documentation.

Independent Auditor's Report

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board on 10th December 2021 to audit the financial statements for the year ended 31st March 2022 and subsequent financial periods. The period of our total uninterrupted engagement is one year, being the year ended 31st March 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Holmes (Senior Statutory Auditor)
For and behalf of Johnston Carmichael LLP
Statutory Auditor
Edinburgh, United Kingdom

22nd June 2022



Statement of Comprehensive Income

For the year ended 31st March 2022

		2022			2021		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	3	—	(72,449)	(72,449)	—	88,639	88,639
Net foreign currency gains		—	920	920	—	3,334	3,334
Income from investments	4	3,855	—	3,855	3,526	—	3,526
Gross return/(loss)		3,855	(71,529)	(67,674)	3,526	91,973	95,499
Management fee	5	(2,498)	—	(2,498)	(2,478)	—	(2,478)
Other administrative expenses	6	(454)	—	(454)	(465)	—	(465)
Net return/(loss) before finance costs and taxation		903	(71,529)	(70,626)	583	91,973	92,556
Finance costs	7	(215)	—	(215)	(264)	—	(264)
Net return/(loss) before taxation		688	(71,529)	(70,841)	319	91,973	92,292
Taxation	8	(357)	—	(357)	(350)	—	(350)
Net return/(loss) after taxation		331	(71,529)	(71,198)	(31)	91,973	91,942
Return/(loss) per share	9	0.61p	(131.22)p	(130.61)p	(0.06)p	168.73p	168.67p

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.

Net return/(loss) after taxation represents the profit/(loss) for the year and also Total Comprehensive Income.

The notes on pages 72 to 86 form an integral part of these financial statements.

Statement of Changes in Equity

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve ^{1,2} £'000	Capital reserves ² £'000	Revenue reserve ² £'000	Total £'000
At 31st March 2020	5,595	33,978	1,836	293,955	(105,204)	(11,164)	218,996
Net return/(loss)	—	—	—	—	91,973	(31)	91,942
Dividends paid in the year (note 10)	—	—	—	(11,120)	—	—	(11,120)
At 31st March 2021	5,595	33,978	1,836	282,835	(13,231)	(11,195)	299,818
Net (loss)/return	—	—	—	—	(71,529)	331	(71,198)
Dividends paid in the year (note 10)	—	—	—	(11,883)	—	—	(11,883)
At 31st March 2022	5,595	33,978	1,836	270,952	(84,760)	(10,864)	216,737

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

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

The notes on pages 72 to 86 form an integral part of financial statements.

Statement of Financial Position

At 31st March 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	229,912	324,002
Current assets	12		
Debtors		2,672	1,568
Cash and cash equivalents		10,143	627
		12,815	2,195
Creditors: amounts falling due within one year	13	(25,990)	(142)
Net current (liabilities)/assets		(13,175)	2,053
Total assets less current liabilities		216,737	326,055
Creditors: amounts falling due after more than one year	14	—	(26,237)
Net assets		216,737	299,818
Capital and reserves			
Called up share capital	15	5,595	5,595
Share premium	16	33,978	33,978
Capital redemption reserve	16	1,836	1,836
Other reserve	16	270,952	282,835
Capital reserves	16	(84,760)	(13,231)
Revenue reserve	16	(10,864)	(11,195)
Total shareholders' funds		216,737	299,818
Net asset value per share	17	397.6p	550.0p

The financial statements and notes on pages 69 to 86 were approved and authorised for issue by the Directors on 22nd June 2022 and were signed on their behalf by:

Deborah Guthrie
Director

The notes on pages 72 to 86 form an integral part of these financial statements.

Company registration number: 3916716.

Statement of Cash Flows

For the year ended 31st March 2022

	Notes	2022 £'000	2021 £'000
Net cash outflow from operations before dividends and interest	18	(3,246)	(3,262)
Dividends received		3,231	3,429
Interest paid		(223)	(260)
Net cash outflow from operating activities		(238)	(93)
Purchases of investments		(67,865)	(76,939)
Sales of investments		89,635	76,012
Settlement of foreign currency contracts		45	32
Net cash (outflow)/inflow from investing activities		21,815	(895)
Dividends paid		(11,883)	(11,120)
Net cash outflow from financing activities		(11,883)	(11,120)
Increase/(decrease) in cash and cash equivalents		9,694	(12,108)
Cash and cash equivalents at start of year		627	12,743
Exchange movements		(178)	(8)
Cash and cash equivalents at end of year		10,143	627
Increase/(decrease) in cash and cash equivalents		9,694	(12,108)
Cash and cash equivalents consist of:			
Cash and short-term deposits		10,143	627
Total		10,143	627

The notes on pages 72 to 86 form an integral part of these financial statements.

Reconciliation of net debt

	As at 31st March 2021 £'000	Cash flows £'000	Exchange movements £'000	As at 31st March 2022 £'000
Cash and cash equivalents				
Cash	627	9,694	(178)	10,143
	627	9,694	(178)	10,143
Borrowings				
Debt due within one year	—	—	(25,030)	(25,030)
Debt due after one year	(26,237)	—	26,237	—
	(26,237)	—	1,207	(25,030)
Total	(25,610)	9,694	1,029	(14,887)

Notes to the Financial Statements

For the year ended 31st March 2022

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include the revaluation of fixed asset investments which are recorded at fair value, in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in April 2021.

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

The financial statements have been prepared on a going concern basis. The disclosures on going concern on page 53 form part of these financial statements.

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

(b) Valuation of investments

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

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with 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 treated by the Company as 'held at fair value through profit or loss'.

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

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

(c) Accounting for reserves

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

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

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

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

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

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

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

(d) Income

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

Overseas dividends are included gross of any withholding tax.

Notes to the Financial Statements

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

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

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

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to revenue except for expenses incidental to purchases and sales of investments which are written off to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 11 on page 77.

(f) Finance costs

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

Finance costs are allocated wholly to revenue.

(g) Financial instruments

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

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

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

(h) Taxation

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

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

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

(i) Value Added Tax ('VAT')

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

(j) Foreign currency

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

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

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

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

Notes to the Financial Statements

1. Accounting policies (continued)

(k) Repurchase of shares to hold in Treasury

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

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

(l) Dividends

Dividends are paid from other reserves. Interim dividends are included in the financial statements in the year in which they are paid. Final dividends are recognised when they are approved by the shareholders.

2. Significant accounting judgements, estimates and assumptions

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

The Directors do not believe that any accounting judgements or estimates have been applied to this set of financial statements, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

3. (Losses)/gains on investments held at fair value through profit or loss

	2022 £'000	2021 £'000
(Losses)/gains on investments	(72,446)	88,643
Other capital charges	(3)	(4)
Total (losses)/gains on investments held at fair value through profit or loss	(72,449)	88,639

4. Income

	2022 £'000	2021 £'000
Income from investments		
Overseas dividends	3,855	3,526

5. Management fee

	Revenue £'000	2022 Capital £'000	Total £'000	Revenue £'000	2021 Capital £'000	Total £'000
Management fee	2,498	—	2,498	2,478	—	2,478

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

Notes to the Financial Statements

6. Other administrative expenses

	2022 £'000	2021 £'000
Administrative expenses	217	239
Directors' remuneration ¹	150	143
Employer's National Insurance Contributions	13	10
Depository fee	38	36
Fee payable to the Company's auditor for the audit of the Company's annual accounts ²	36	37
	454	465

¹ Full disclosure is given in the Directors' Remuneration Report on pages 56 to 58.

² Exclusive of VAT.

7. Finance costs

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on bank loans and overdrafts	215	—	215	264	—	264

8. Taxation

(a) Analysis of tax charge for the year

	2022 £'000	2021 £'000
Overseas withholding tax	357	350
Total tax charge for the year	357	350

(b) Factors affecting total tax charge for the year

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

The UK corporation tax rate was 19% from 1st April 2017, giving an effective rate of 19% (2021: 19%). The tax assessed is higher (2021: lower) than that resulting from applying the effective standard rate of corporation tax in the UK. The difference is explained below.

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return/(losses) before taxation	688	(71,529)	(70,841)	319	91,973	92,292
Corporation tax at the effective rate of 19% (2021: 19%)	131	(13,591)	(13,460)	61	17,475	17,536
Effects of:						
Non taxable capital losses/(gains)	—	13,591	13,591	—	(17,475)	(17,475)
Non taxable overseas dividends	(719)	—	(719)	(649)	—	(649)
Unrelieved expenses	590	—	590	590	—	590
Overseas withholding tax	357	—	357	350	—	350
Double taxation relief expensed	(2)	—	(2)	(2)	—	(2)
Total tax charge for the year	357	—	357	350	—	350

Notes to the Financial Statements

8. Taxation (continued)

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £9,443,000 (2021: £6,587,000) based on a prospective corporation tax rate of 25% (2021: 19%). The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from 1st April 2023. This increase in the standard rate of corporation tax was substantively enacted on 24th May 2021 and became effective from 2nd June 2021.

The deferred tax asset has arisen due to the cumulative excess of deductible management and loan expenses (£31,607,676 and £6,166,089 respectively) over taxable income. It is not anticipated that excess expenses will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

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

9. (Loss)/return per share

	2022 £'000	2021 £'000
Return per share is based on the following:		
Revenue return/(loss)	331	(31)
Capital (loss)/return	(71,529)	91,973
Total (loss)/return	(71,198)	91,942
Weighted average number of shares in issue during the year (excluding Treasury shares)	54,510,339	54,510,339
Revenue return/(loss) per share	0.61p	(0.06)p
Capital (loss)/return per share	(131.22)p	168.73p
Total (loss)/return per share	(130.61)p	168.67p

10. Dividends

(a) Dividends paid and declared

	2022 £'000	2021 £'000
Dividends paid		
2021 fourth quarterly dividend of 5.5p (2020: 4.0p) paid to shareholders in May	2,998	2,180
2022 first quarterly dividend of 5.5p (2021: 5.0p) paid to shareholders in August	2,998	2,726
2022 second quarterly dividend of 5.8p (2021: 5.5p) paid to shareholders in November	3,162	2,998
2022 third quarterly dividend of 5.0p (2021: 5.9p) paid to shareholders in February	2,725	3,216
Total dividends paid in the year	11,883	11,120
	2022 £'000	2021 £'000
Dividend declared		
2022 fourth quarterly dividend of 4.0p (2021: 5.5p) payable to shareholders in May	2,180	2,998

All dividends paid and declared in the year have been funded from the other reserve.

The fourth quarterly dividend has been declared in respect of the year ended 31st March 2022. In accordance with the accounting policy of the Company, this dividend will be reflected in the financial statements for the year ending 31st March 2023.

Notes to the Financial Statements

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

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

	2022 £'000	2021 £'000
2022 first quarterly dividend of 5.5p (2021: 5.0p)	2,998	2,726
2022 second quarterly dividend of 5.8p (2021: 5.5p)	3,162	2,998
2022 third quarterly dividend of 5.0p (2021: 5.9p)	2,725	3,216
2022 fourth quarterly dividend payable of 4.0p (2021: 5.5p)	2,180	2,998
Total	11,065	11,938

11. Investments

	2022 £'000	2021 £'000
Investments listed on a recognised stock exchange	229,912	324,002
Opening book cost	228,597	182,864
Opening investment holding gains	95,405	52,524
Opening valuation	324,002	235,388
Movement in the year:		
Purchases at cost	68,725	75,794
Sales proceeds	(90,369)	(75,823)
(Losses)/gains on investments	(72,446)	88,643
	229,912	324,002
Closing book cost	206,845	228,597
Closing investment holding gains	23,067	95,405
Total investments held at fair value through profit or loss	229,912	324,002

The company received £90,369,000 (2021: £75,823,000) from investments sold in the year. The book cost of these investments when they were purchased was £90,477,000 (2021: £30,061,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Transaction costs on purchases during the year amounted to £29,000 (2021: £27,000) and on sales during the year amounted to £31,000 (2021: £26,000). These costs comprise mainly brokerage commission.

12. Current assets

	2022 £'000	2021 £'000
Debtors		
Dividends and interest receivable	1,750	1,510
Securities sold awaiting settlement	732	—
VAT recoverable	128	45
Other debtors	35	13
Overseas tax recoverable	27	—
	2,672	1,568

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

Cash and cash equivalents

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

Notes to the Financial Statements

13. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Bank loan	25,030	—
Securities purchased awaiting settlement	860	—
Other creditors and accruals	64	99
Loan interest payable	36	43
	25,990	142

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

On 26th October 2019, the Company arranged a new Yen 4.0 billion (introducing an option of further increasing the facility to Yen 6.0 billion in future) three year unsecured floating rate revolving facility with Scotiabank. This Yen 4 billion facility amounting £25,030,000 was fully drawn down at 31st March 2022.

Interest on the loan facility is payable at a margin of 0.825% over TONA as offered in the market for the loan period plus the 'mandatory costs' rate, which is the lender's cost of complying with certain regulatory requirements. This facility is subject to covenants which are customary for a credit agreement of this value. The principal covenants that apply to the loan facility are that the Company will not allow the adjusted asset coverage of borrowings to be less than 4.00 to 1.00 and will not allow its net assets to fall below £50m. These covenants were not breached during the year and up to the date of this report.

14. Creditors: amounts falling due after more than one year

	2022 £'000	2021 £'000
Bank loan	—	26,237
	—	26,237

15. Called up share capital

	2022 £'000	2021 £'000
Issued and fully paid share capital:		
Ordinary shares of 10p each		
Opening balance of 54,510,339 (2021: 54,510,339) shares excluding shares held in Treasury	5,452	5,452
1,434,221 (2021: 1,434,221) shares held in Treasury	143	143
Closing balance of 55,944,560 (2021: 55,944,560) shares including shares held in Treasury	5,595	5,595

Further details of transactions in the Company's shares are given in the Strategic Report on page 31.

Notes to the Financial Statements

16. Capital and reserves

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve ^{1,2} £'000	Capital reserves ²			Revenue reserve ² £'000	Total £'000
					Gains and losses on sales of investments £'000	Investment holding gains and losses £'000	Other revaluation reserve £'000		
Opening balance	5,595	33,978	1,836	282,835	(111,778)	95,405	3,142	(11,195)	299,818
Net currency losses on derivatives, cash and cash equivalents	—	—	—	—	(287)	—	—	—	(287)
Realised losses on sale of investments	—	—	—	—	(109)	—	—	—	(109)
Net change in unrealised gains and losses on investments	—	—	—	—	—	(72,337)	—	—	(72,337)
Unrealised foreign currency gain on loan	—	—	—	—	—	—	1,207	—	1,207
Other capital charges	—	—	—	—	(3)	—	—	—	(3)
Net profit for the year	—	—	—	—	—	—	—	331	331
Dividend paid in the year	—	—	—	(11,883)	—	—	—	—	(11,883)
Closing balance	5,595	33,978	1,836	270,952	(112,177)	23,068	4,349	(10,864)	216,737

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

² These reserves form the distributable reserve of the Company and may be used to fund distribution to investors.

17. Net asset value per share

	2022	2021
Net assets (£'000)	216,737	299,818
Number of shares in issue, excluding shares held in Treasury	54,510,339	54,510,339
Net asset value per share	397.6p	550.0p

18. Reconciliation of net (loss)/return before finance costs and taxation to net cash outflow from operations before dividends and interest

	2022 £'000	2021 £'000
Net (loss)/return before finance costs and taxation	(70,626)	92,556
Add capital loss/(less capital return) before finance costs and taxation	71,529	(91,973)
(Increase)/decrease in accrued income and other debtors	(345)	267
(Decrease)/increase in accrued expenses	(35)	2
Overseas withholding tax	(384)	(350)
Dividends received	(3,231)	(3,429)
Realised loss on foreign exchange transactions	(154)	(335)
Net cash outflow from operations before dividends and interest	(3,246)	(3,262)

19. Capital commitments and contingent liabilities

At the balance sheet date there were no capital commitments or contingent liabilities (2021: none).

Notes to the Financial Statements

20a. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 45. The management fee payable to the Manager for the year was £2,498,000 (2021: £2,478,000) of which £nil (2021: £nil) was outstanding at the year end.

During the year £nil (2021: £nil) was paid to the Manager for the marketing and administration of savings scheme products, of which £nil (2021: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 75 are safe custody fees payable to JPMorgan Chase group subsidiaries amounting to £29,000 (2021: £35,000) of which £7,000 (2021: £13,000) was outstanding at the year end.

The Manager may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities Limited for the year was £nil (2021: £nil) of which £nil (2021: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £4,000 (2021: £4,000) were payable to JPMorgan Chase Bank N.A. during the year of which £1,000 (2021: £nil) was outstanding at the year end.

At the year end, total cash of £10,143,000 (2021: £627,000) was held with JPMorgan Chase. A net amount of interest of £nil (2021: £nil) was receivable by the Company during the year from JPMorgan Chase of which £nil (2021: £nil) was outstanding at the year end.

20b. Transactions with related parties

Full details of Directors' remuneration and shareholdings can be found on pages 56 and 57 and in note 6 on page 75.

21. Disclosures regarding financial instruments measured at fair value

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

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

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

- (1) **The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date**
- (2) **Inputs other than quoted prices included within Level 1 that are observable (i.e.: developed using market data) for the asset or liability, either directly or indirectly**
- (3) **Inputs are unobservable (i.e.: for which market data is unavailable) for the asset or liability**

Details of the valuation techniques used by the Company are given in note 1(b) on page 72.

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

	2022		2021	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	229,912	—	324,002	—
Total	229,912	—	324,002	—

There was no transfers between Level 1, 2 and 3 during the year (2021: none).

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

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

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

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

Notes to the Financial Statements

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

The Company's financial instruments as follows:

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

(a) Market risk

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

(i) Currency risk

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

Management of currency risk

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

Foreign currency exposure

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

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

	2022 £'000	2021 £'000
Yen exposure		
Securities sold awaiting settlement, dividends and interest receivable	2,510	1,510
Cash and cash equivalents	9,334	244
Bank loan	(25,030)	(26,237)
Securities purchased awaiting settlement and loan interest	(896)	(43)
Foreign currency exposure on net monetary items	(14,082)	(24,526)
Investments held at fair value through profit or loss	229,912	324,002
Total net foreign currency exposure	215,830	299,476

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

Foreign currency sensitivity

The following table illustrates the sensitivity of return after taxation for the year and net assets with regard to the Company's financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's currency financial instruments held at each balance sheet date and the income receivable in foreign currency and assumes a 10% (2021: 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.

Notes to the Financial Statements

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

(a) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity (continued)

	2022		2021	
	If sterling strengthened by 10% £'000	If sterling weakened by 10% £'000	If sterling strengthened by 10% £'000	If sterling weakened by 10% £'000
Statement of Comprehensive Income – return after taxation				
Revenue (loss)/return	(386)	386	(353)	353
Capital (loss)/return	(21,587)	21,587	(29,948)	29,948
Total (loss)/return after taxation	(21,973)	21,973	(30,301)	30,301
Net assets	(21,973)	21,973	(30,301)	30,301

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 variable rate cash borrowings.

Management of interest rate risk

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

The Company has a Yen 4.0 billion unsecured three year floating rate loan with Scotiabank which will expire in October 2022.

Interest on the loan facility is payable at a margin of 0.825% over TONAR as offered in the market for the loan period plus the 'mandatory costs' rate, which is the lender's cost of complying with certain regulatory requirements.

Interest rate exposure

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

	2022 £'000	2021 £'000
Amounts exposed to floating interest rates:		
Cash and short-term deposits	10,143	627
Bank loan	(25,030)	(26,237)
Total exposure	(14,887)	(25,610)

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above TONA respectively (2021: same).

Notes to the Financial Statements

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2021: 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.

	2022		2021	
	1% increase in rate £'000	1% decrease in rate £'000	1% increase in rate £'000	1% decrease in rate £'000
Statement of Comprehensive Income – return after taxation				
Revenue (loss)/return	(149)	149	(256)	256
Net assets	(149)	149	(256)	256

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

(iii) Other price risk

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

Management of other price risk

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

Other price risk exposure

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

	2022 £'000	2021 £'000
Investments held at fair value through profit or loss	229,912	324,002

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

Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2021: 10%) in the market value of equity investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities, adjusting for changes in the management fee but with all other variables held constant.

Notes to the Financial Statements

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

(a) Market risk (continued)

(iii) Other price risk (continued)

Other price risk sensitivity (continued)

	2022		2021	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of Comprehensive Income – return after taxation				
Revenue (loss)/return	(172)	172	(243)	243
Capital return/(loss)	22,991	(22,991)	32,400	(32,400)
Total return/(loss) after taxation	22,819	(22,819)	32,157	(32,157)
Net assets	22,819	(22,819)	32,157	(32,157)

Concentration of exposure to market price risk

An analysis of the Company's investments is given on pages 24 to 27. This shows that all of the investments' value is in Japanese equities. Accordingly, there is a concentration of exposure to that country. However, it should be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

(b) Liquidity risk

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

Management of the risk

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

The Board's policy is for the Company to remain fully invested in normal market conditions and that short-term borrowings be used to manage short-term liabilities, working capital requirements and to gear the Company as appropriate. Details of the current loan facility are given in part (a)(ii) to this note on page 82.

Details of the company's loan facility are given in note 13 on page 78.

Liquidity risk exposure

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

	2022			Total £'000
	Three months or fewer £'000	More than three months but not more than one year £'000	More than one year £'000	
Creditors:				
Securities purchased awaiting settlement	860	—	—	860
Other creditors and accruals	65	—	—	65
Bank loan, including interest	86	25,097	—	25,183
	1,011	25,097	—	26,108

Notes to the Financial Statements

	2021			
	Three months or fewer	More than three months but not more than one year	More than one year	Total
	£'000	£'000	£'000	£'000
Creditors:				
Other creditors and accruals	99	—	—	99
Bank loan, including interest	53	163	26,361	26,577
	152	163	26,361	26,676

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

(c) Credit risk

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

Management of credit risk**Portfolio dealing**

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

Cash and cash equivalents

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

Exposure to JPMorgan Chase

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

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

Credit risk exposure

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

(d) Fair values of financial assets and financial liabilities

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

Notes to the Financial Statements

23. Capital management policies and procedures

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

	2022 £'000	2021 £'000
Debt:		
Bank loan	25,030	26,237
Equity:		
Called up share capital	5,595	5,595
Reserves	211,142	294,223
	216,737	299,818
Total debt and equity	241,767	326,055

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

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

	2022 £'000	2021 £'000
Investments held at fair value through profit or loss	229,912	324,002
Net assets	216,737	299,818
Gearing	6.1%	8.1%

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

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

24. Subsequent events

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

Regulatory Disclosures

Alternative Investment Fund Managers Directive ('AIFMD') Disclosures (unaudited)

Leverage

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

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD, as at 31st March 2022, which gives the following figures:

	Gross Method	Commitment Method
Leverage exposure		
Maximum limit	200%	200%
Actual	111%	112%

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

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

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

Remuneration Policy

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

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

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

The board reviews and adopts the Remuneration Policy on an annual basis, and oversees its implementation, including the classification of AIFMD Identified Staff. The board last reviewed and adopted the Remuneration Policy that applied for the 2021 Performance Year in June 2021 with no material changes and was satisfied with its implementation.

Quantitative Disclosures

The table below provides an overview of the aggregate total remuneration paid to staff of the Management Company in respect of the 2021 Performance Year and the number of beneficiaries. These figures include the remuneration of all staff of JP Morgan Asset Management (UK) Ltd (the relevant employing entity) and the number of beneficiaries, both apportioned to the Management Company on an Assets Under Management ('AUM') weighted basis.

Due to the Firm's operational structure, the information needed to provide a further breakdown of remuneration attributable to the Company is not readily available and would not be relevant or reliable. However, for context, the Management Company manages 32 Alternative Investment Funds (with 4 sub-funds) and 2 UCITS (with 42 sub-funds) as at 31st December 2021, with a combined AUM as at that date of £23.4 billion and £24.8 billion respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff of the Management Company (US\$'000s)	23,244	16,065	39,309	153

The aggregate 2021 total remuneration paid to AIFMD Identified Staff was USD \$84,714,000, of which USD \$6,570,000 relates to Senior Management and USD \$78,144,000 relates to other Identified Staff.¹

¹ For 2021, the AIFMD identified staff disclosures include employees of the companies to which portfolio management has been formally delegated in line with the latest ESMA guidance.

Securities Financing Transactions Regulation Disclosure (Unaudited)

The Company does not engage in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions) or total return swaps. Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the year ended 31st March 2022.



Notice of Annual General Meeting

Notice is hereby given that the twenty-first Annual General Meeting of JPMorgan Japan Small Cap Growth & Income plc (the 'Company') will be held at 60 Victoria Embankment, London EC4Y 0JP on Wednesday, 27th July 2022 at 12 noon to consider and if thought fit, pass the following resolutions, (which will be proposed in case of Resolutions 1 to 11 as ordinary resolutions and in the case of Resolutions 12 and 13 as special resolutions):

1. To receive the Company's annual report and audited financial statements for the year ended 31st March 2022 (the 'Annual Report') together with the Directors' Report, the Strategic Report and the Auditor's Report contained in the Annual Report.
2. To approve the Directors' Remuneration Policy as set out in the Annual Report.
3. To approve the Directors' Remuneration Report for the year ended 31st March 2022.
4. To approve the Dividend Policy of the Company as set out in the Annual Report.
5. To re-elect Alexa Henderson as a Director of the Company.
6. To re-elect Yuuichiro Nakajima as a Director of the Company.
7. To re-elect Deborah Guthrie as a Director of the Company.
8. To re-elect Martin Shenfield as a Director of the Company.
9. To re-elect Tom Walker as a Director of the Company.
10. To appoint Johnston Carmichael LLP as the Auditor of the Company and to authorise the Directors to determine its remuneration.

Authority to allot new Ordinary shares – Ordinary Resolution

11. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot equity securities in the Company and to grant rights to subscribe for, or to convert any security into, Ordinary shares in the Company ('Rights') up to an aggregate nominal amount of £545,103 or, if different, the aggregate nominal amount representing approximately 10% of the Company's issued Ordinary share capital (excluding shares held in Treasury) as at the date of the passing of this resolution providing that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2023 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot equity securities and grant Rights in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

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

12. THAT subject to the passing of Resolution 11, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 11 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £545,103 or, if different, the aggregate nominal amount representing approximately 10% of the total Ordinary share capital (excluding shares held in Treasury) as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 11, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

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

PROVIDED ALWAYS THAT

- (i) the maximum number of Ordinary shares hereby authorised to be purchased shall be 8,171,099 or, if fewer, that number of Ordinary shares which is equal to 14.99% of the Company's issued share capital (excluding shares held in Treasury) as at the date of the passing of this Resolution;
- (ii) the minimum price which may be paid for an Ordinary share shall be 10 pence;
- (iii) the maximum price which may be paid for a share shall be an amount equal to the highest of: (a) 105% of the average of the middle market quotations for a share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; or (b) the higher of the price of the last independent trade; or (c) the highest current independent bid;

Notice of Annual General Meeting

- (iv) any purchase of Ordinary shares will be made in the market for cash at prices below the prevailing NAV per share (as determined by the Directors);
- (v) the authority hereby conferred shall expire on 27th January 2024 unless the authority is renewed at the Company's Annual General Meeting in 2023 or at any other general meeting prior to such time; and
- (vi) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

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

22nd June 2022

Notes

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

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

Notice of Annual General Meeting

6. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.
7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative(s) may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

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

Notice of Annual General Meeting

13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). They will also be available for inspection at the Meeting. No Director has any contract of service with the Company.
14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
15. As an alternative to completing a hard copy Form of Proxy/Voting Instruction Form, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Instruction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites.
16. As at 21st June 2022 (being the latest business day prior to the publication of this Notice), the Company's issued share capital (excluding Treasury shares) consists of 54,510,339 Ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 54,510,339.
17. A copy of the proposed new articles of association of the Company, together with a copy showing all of the proposed changes to the existing articles of association, will be available for inspection on the Company's website, www.jpmmjapanismallcapgrowthandincome.co.uk and at the offices of J.P. Morgan Asset Management, 60 Victoria Embankment, London EC4Y 0JP between the hours of 9.00 a.m. and 5.00 p.m. (Saturdays, Sundays and public holidays excepted), from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

Electronic appointment – CREST members

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

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

Return to Shareholders (APM)

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

		Year ended 31st March 2022	Year ended 31st March 2021	
Total return calculation	Page			
Opening share price (p)	7	502.0	354.0	(a)
Closing share price (p)	7	368.0	502.0	(b)
Total dividend adjustment factor ¹		1.045791	1.042906	(c)
Adjusted closing share price (d = b x c)		384.9	523.5	(d)
Total return to shareholders (e = (d / a) – 1)		-23.3%	47.9%	(e)

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

Return on Net Assets (APM)

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

		Year ended 31st March 2022	Year ended 31st March 2021	
Total return calculation	Page			
Opening cum-income NAV per share (p)	7	550.0	401.8	(a)
Closing cum-income NAV per share (p)	7	397.6	550.0	(b)
Total dividend adjustment factor ¹		1.042323	1.040007	(c)
Adjusted closing cum-income NAV per share (d = b x c)		414.4	572.0	(d)
Total return on net assets (e = (d / a) – 1)		-24.6%	42.4%	(e)

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

Net Asset Value Per Share (APM)

The value of the Company's net assets (total assets less total liabilities) divided by the number of ordinary shares in issue. Please see note 17 on page 79 for detailed calculations.

Benchmark Return

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

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

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

Gearing/(Net Cash) (APM)

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

		31st March 2022 £'000	31st March 2021 £'000	
Gearing calculation	Page			
Investments held at fair value through profit or loss	70	229,912	324,002	(a)
Net assets	70	216,737	299,818	(b)
Gearing (c = (a / b) – 1)		6.1%	8.1%	(c)

Ongoing charges (APM)

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

		Year ended 31st March 2022	Year ended 31st March 2021	
Ongoing charges calculation	Page			
Management fee (£'000)	74	2,498	2,478	
Other administrative expenses (£'000)	75	454	465	
Total management fee and other administrative expenses (£'000)		2,952	2,943	(a)
Average daily cum-income net assets ('000)		279,643	288,366	(b)
Ongoing charges (c = a / b)		1.06%	1.02%	(c)

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

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

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

Performance Attribution

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

Performance Attribution Definitions:

Stock/Sector Allocation

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

Gearing/(net cash)

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

Management Fee/Other Expenses

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

Where to buy J.P. Morgan Investment Trusts

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

1. Via a third party provider

Third party providers include:

AJ Bell You Invest	Halifax Share Dealing
Barclays Smart Investor	Hargreaves Lansdown
Charles Stanley Direct	Interactive Investor
Selftrade	EQi
Fidelity Personal Investing	

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

The Board encourages all of its shareholders to exercise their rights and notes that many specialist platforms provide shareholders with the ability to receive company documentation, to vote their shares and to attend general meetings, at no cost. Please refer to your investment platform for more details, or visit the Association of Investment Companies' ('AIC') website at www.theaic.co.uk/aic/shareholder-voting-consumer-platforms for information on which platforms support these services and how to utilise them.

2. Through a professional adviser

Professional advisers are usually able to access the products of all the companies in the market and can help you to find an investment that suits your individual circumstances. An adviser will let you know the fee for their service before you go ahead. You can find an adviser at unbiased.co.uk.

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

To familiarise yourself with the Financial Conduct Authority (FCA) adviser charging and commission rules, visit fca.org.uk.

Be ScamSmart

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

Avoid investment fraud

1 Reject cold calls

If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2 Check the FCA Warning List

The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

3 Get impartial advice

Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Remember: if it sounds too good to be true, it probably is!

Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at www.fca.org.uk/consumers/report-scam-unauthorised-firm. You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk

Find out more at
www.fca.org.uk/scamsmart



FINANCIAL CALENDAR

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

History

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

Company Numbers

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

Market Information

The Company's unaudited NAV per share is published daily, via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange and are quoted daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman and on the Company's website at www.jpmmjapan-smallcap-growth-and-income.co.uk, where the share price is updated every fifteen minutes during trading hours.

Website

www.jpmmjapan-smallcap-growth-and-income.co.uk.

Share Transactions

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

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

60 Victoria Embankment
 London EC4Y 0JP
 Telephone number: 020 7742 4000

For company secretarial matters, please contact Divya Amin.

Depository

The Bank of New York Mellon (International) Limited
 1 Canada Square
 London E14 5AL

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

Registrar

Equiniti Limited
 Reference 2093
 Aspect House
 Spencer Road
 Lancing
 West Sussex BN99 6DA
 Telephone: 0371 384 2539

Lines are open from 8.30 a.m. to 5.30 p.m. Monday to Friday. Calls to the helpline will cost no more than a national rate call to a 01 or 02 number. Callers from overseas should dial +44 121 415 0225.

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

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

Auditor

Johnston Carmichael LLP
 11 Melville Street
 Edinburgh
 EH3 7PE

Broker

Cenkos Securities plc
 6, 7, 8 Tokenhouse Yard
 London EC2R 7AS

FCA Regulation of 'Non-Mainstream Pooled Investments' and 'Complex Instruments'

The Company conducts its affairs in a way which enables the shares that it issues to be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the Financial Conduct Authority ('FCA') in relation to non-mainstream investment products.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

The Company's ordinary shares are not considered to be 'complex instruments' under the FCA's 'Appropriateness' rules and guidance in the Conduct of Business (COB) sourcebook.



The Association of
Investment Companies

A member of the AIC

CONTACT

60 Victoria Embankment
London

EC4Y 0JP

Tel +44 (0) 20 7742 4000

Website www.jpmmjapan-smallcap-growth-and-income.co.uk

