

# Aberdeen Japan Investment Trust PLC

Annual Report  
for the year ended 31 March 2014



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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in Aberdeen Japan Investment Trust PLC, please forward this document, together with the accompanying documents, immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

# Strategic Report – Company Summary and Financial Highlights

## Financial Highlights

	2014	2013
Share price total return*	-13.7%	+22.9%
Net asset value total return*	-7.5%	+16.7%
Composite Index total return	-5.9%	+15.9%
Earnings per share (revenue)	6.00p	5.13p
Dividend per share	4.50p	4.75p

\*Total return represents capital return plus dividends reinvested.

## The Company

The Company is an investment trust and its shares are listed on the premium segment on the Official List of the UK Listing Authority and traded on the London Stock Exchange. The Company aims to attract long term private and institutional investors wanting to benefit from the growth prospects of Japanese companies by investment in a relatively risk averse investment trust.

An investment trust is a collective investment vehicle that invests in a portfolio of shares and enables a spread of investment and risk. The Company is governed by an independent Board of Directors (the "Board") and the management of the Company's investments is delegated to an Investment Manager.

## Investment Objective

To achieve long-term capital growth principally through investment in listed Japanese companies which are believed by the Investment Manager to have above average prospects for growth.

## Reference Benchmark

The reference benchmark is the Composite Index comprised of:  
TOPIX (in Sterling terms) from 8 October 2013.  
MSCI AC Asia Pacific (including Japan) Index (in Sterling terms) to 7 October 2013.

## Investment Manager

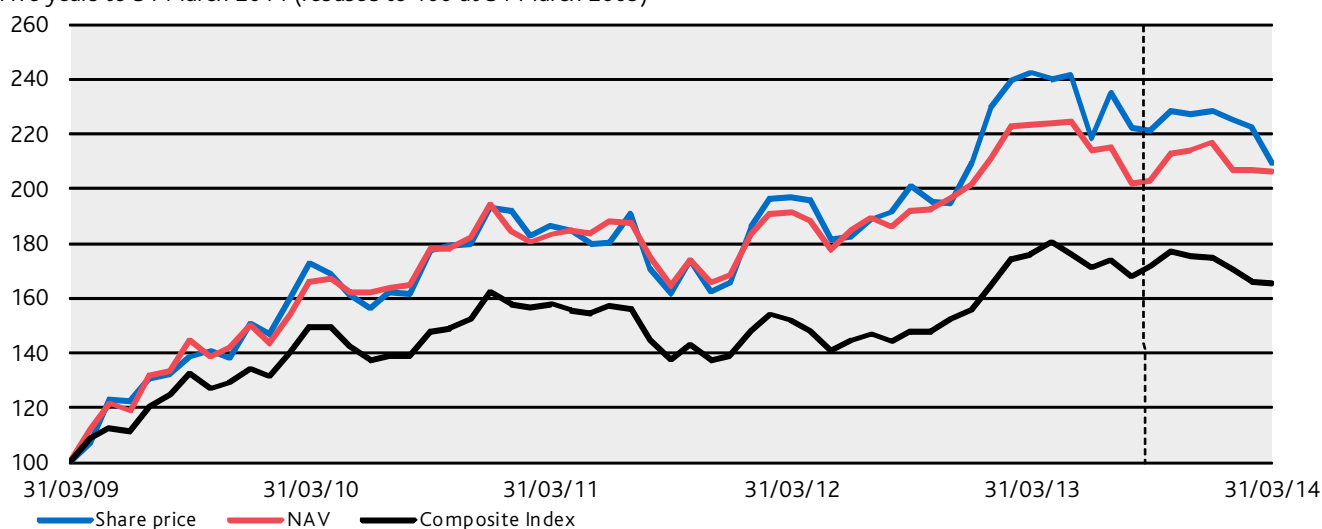
The Company is managed by Aberdeen Asset Management Asia Ltd (the "Manager").

## Website

Up-to-date information can be found on the Company's website - [www.aberdeenjapan.co.uk](http://www.aberdeenjapan.co.uk)

## Total Return of NAV and Share Price vs Composite Index (in Sterling terms)

Five years to 31 March 2014 (rebased to 100 at 31 March 2009)



---- This line represents the date of investment mandate change.

# Strategic Report - Chairman's Statement

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**Neil Gaskell**  
Chairman

At the Company's General Meeting on 7 October 2013, the shareholders approved the proposal for the Company's investment mandate to change from All Asia, including Japan, to all Japan stocks including smaller listed companies and appropriately hedged into Sterling. The Company was renamed Aberdeen Japan Investment Trust PLC.

The investment objective is now to achieve long-term capital growth mainly by investing in listed Japanese companies deemed by the Manager to have above-average growth prospects. The investment policy provides for the underlying Yen net exposure to be appropriately Sterling hedged at levels to be determined periodically by the Board in consultation with the Manager.

This Report therefore covers performance in Asia as a whole for the period to October 2013 and in Japan thereafter. The outlook section of this statement refers only to Japan. Performance for all periods up to 7 October 2013 is measured against the MSCI All Countries Asia Pacific (including Japan) Index and performance after 7 October is measured against the Japan TOPIX Index (in Sterling terms).

The twelve months to 31 March 2014 was a year of two distinct periods for the Company. The first half, ending on 7 October, under the All Asia investment mandate had a disappointing performance with the total return of -9.6%, falling short of the benchmark by 7.3%. The second half starting from the change of mandate to all Japan showed a modestly encouraging start to performance with a total return of 0.9% exceeding the benchmark in Sterling terms by 4.6% despite a significant strengthening of Sterling against the Yen. Neither of these two periods are long enough to form a balanced judgement on performance and both were periods in which markets declined, albeit by less in Japan after the mandate change than that for the All Asia markets in the same period. Over the last 3 years the performance of your Company has been good with a total return on NAV of 12.8% outperforming the composite index return of 5.0% for the period by 7.8%.

During the year Asian markets generally were hit by the worries over the possible end of US monetary easing, by concerns over China's slackening economy, politics in India and weaker growth in Asia as a whole.

In contrast, in Japan, the stock market had an exceptionally strong 2013, in response to Prime Minister Abe's economic and monetary initiatives although it paused for breath in the first quarter of 2014. It is still too early to judge whether Japan's economy has finally turned the corner after almost 20 years of deflation and weak growth. However there are encouraging signs of change with the green shoots of domestic inflation beginning to emerge and the economy growing more strongly. Japan's companies, having learned to

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cope with persistent deflation and a strong Yen, are generally prudent and have recapitalised with robust balance sheets. Change will inevitably be patchy and difficult but the companies in your portfolio all have strong performance records and good management with a genuine commitment to their shareholders.

A detailed explanation to this investment result is provided in the Managers' Review and a more detailed analysis of performance given on pages 9 to 10.

Your Company implemented the change to the new portfolio immediately after shareholder approval and had a portfolio of 39 Japan-listed holdings as at 31 March 2014. The Company's borrowing is now all Yen denominated with the resulting net asset exposure appropriately Sterling hedged based on the proportion of Japan-based revenues in the portfolio, currently estimated at 50-55%. The costs of the mandate change incurred by the Company were approximately £50,000 and are included in expenses and therefore reflected in the performance for the year. Despite this, its total ongoing costs reduced from 1.47% to 1.41% in the year and the Board is committed to keeping tight control of costs.

### **Discount**

The share price discount to net asset value (excluding income) was much reduced from previous years with an average discount of 7.1% over the year. It widened sharply over the last week of the financial year to 13.4% but has since tightened to 10.0%. No shares were bought back by the Company over the year and with the discount averaging 6.8% over the last 90 days of the financial year, there is no requirement under the articles for the Company to put forward a continuation vote to shareholders.

### **Dividend**

The Board aims to maintain a stable dividend and to pay not less than the amount required to maintain investment trust status. Based on this policy, the Board is recommending a final dividend of 4.5p per ordinary share in respect of the year ended 31 March 2014 (2013 - 4.75p). This amount is sufficient to maintain investment trust status and reflects the reduction in income following the change to a Japan only portfolio in the latter part of the year compared with that under the previous investment mandate. If approved, the dividend will be paid to shareholders on 18 July 2014 to those on the register as at close of business on 20 June 2014. The ex-dividend date will be 18 June 2014.

The outlook for the dividend next year is that it will be significantly lower than the dividend this year because it will be based on a full year of income from Japan under the new investment mandate. Thereafter the dividend will again be maintained at a stable level reflecting the net income of the

Company and the minimum requirements to maintain investment trust status.

### **Board**

During the year Karen Brade joined the Board with effect from 1 May 2013. Robert Jenkins resigned from the Board with effect from 31 December 2013. On behalf of the Board, I should like to thank him for his valuable contribution, especially during this last year of change for the Company, and wish him well for the future.

### **Outlook**

The outlook for Japan is one of the most significant economic uncertainties in the world today. The direction of the third largest economy is an important component of world growth and the ability of Abe's government to sustain the inflation and growth that they have successfully initiated is the key to the outlook for the economy. For the Company, besides a recovery in the underlying economy, performance boils down to the well-run companies in the portfolio continuing to thrive. Earnings are improving and many of these companies have set their sights on the right areas, such as diversifying abroad, widening their business models and keeping a tight rein on leverage. Many of them also have exposure to expanding Asian economies, several are world class in their fields and all are focused on shareholder returns and good corporate governance.

It is premature to expect a sea change across all Japanese companies but the tide of change is rising and your Board is confident that the Manager's bottom-up investment style of cautious but long-term investment in carefully selected companies is well suited to deliver value from the future development of Japan.

### **Neil Gaskell**

Chairman

23 May 2014

# Strategic Report - Manager's Review

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## Overview

Asian equities fell amid volatile trading in the first six months under review as the prospect of the US Federal Reserve scaling back its bond purchases triggered a global correction. Fears that China's already moderating growth could stall amid a government-engineered cash crunch to curb informal lending further tested sentiment. The sell-off intensified as 'tapering' concerns grew. Towards the period-end, the Fed's surprise decision to maintain its monetary stimulus provided battered markets a brief reprieve, while a slight pick-up in China's economic growth allayed fears of an acute slowdown.

Following the change in investment objective, the latter six months proved unsettling for Japan. Initially, stocks were supported by the weaker Yen and optimism over Abenomics. That was gradually replaced by disappointment and some doubt over the efficacy of Prime Minister Abe's 'Third arrow' of structural reforms which covered agriculture, labour market, healthcare and female participation in the workplace. Compounding the situation was anxiety over the recently implemented consumption tax hike, while exporters suffered from the Yen's appreciation towards the end of the period. Although some major Japanese companies raised wages for the first time in years, that failed to lift sentiment as the hikes were not commensurate with the rise in consumer prices.

## Portfolio review

For the year ended March 2014, the net asset value total return per share declined by 7.5% in Sterling terms, underperforming the composite benchmark index's total return of -5.9%. Owing to the change in the Trust's mandate during the middle of the review period, discussion of the performance has been split accordingly over separate periods.

For the period to 7 October 2013 the portfolio's net asset value total return per share declined by 8.3% in Sterling terms, underperforming the 2.3% fall in the benchmark MSCI AC Asia Pacific Index. Notably, the portfolio's heavy exposure to weaker stock markets across Asia as well as the lack of substantial exposure to Japan hurt performance.

In Hong Kong and China, both stock markets did better than their peers in the region despite concerns of a slowing economy and banking-sector worries. However, holdings such as Jardine Strategic and its subsidiary retailer Dairy Farm, did not fare as well. Jardine Strategic, which has substantial exposure in Indonesia via its conglomerate Astra International, was hurt by a weak Rupiah and macroeconomic concerns there. Dairy Farm's share price fell because its results missed expectations. Hang Lung Group and Swire Pacific also underperformed. The imposition of

further cooling measures in the Hong Kong property sector, coupled with poor economic data in the mainland, weighed on their share prices.

On a brighter note, stock selection was positive in Australia. This was partly owed to the lack of exposure to local banks such as Commonwealth Bank of Australia and Westpac, which fell in step with other financials on the back of US fiscal woes and fears of monetary policy tightening there.

For the period 8 October to 31 March 2014, the portfolio's net asset value total return per share rose by 0.9% in Sterling terms, outperforming the 3.7% fall in the benchmark Topix Index. Overall, the hedge position contributed positively to relative performance. During the first half of the period, the 50% hedge worked in the trust's favour as the Yen weakened. However, during the latter half of the period, our hedge position pared gains as Sterling rose against the Yen. While currency hedging manages risk, investors must be aware that this strategy can also potentially result in lower returns.

In stock selection, holdings in the health care sector drove relative performance. Medical device manufacturer Asahi Intecc gained on the back of expectations of a continued strong earnings momentum, fuelled by firm demand for the company's PTCA guidewires. Both Astellas Pharma and Chugai Pharmaceutical benefited from optimism over their drug pipelines and expectations of a more favourable regulatory environment. Astellas Pharma was also lifted by a share buyback.

Other holdings that contributed to relative return included robot manufacturer Fanuc, which was boosted by a pickup in overseas orders as well as improving signs of capital spending. Elsewhere, Mandom and sports shoe maker Asics gained following the release of better-than-expected third-quarter earnings.

On the other hand, several consumer goods holdings including baby-care products makers Unicharm and Pigeon Corp, as well as Japan Tobacco detracted from performance. Unicharm's business in China was affected by heightened competition, while Pigeon and Japan Tobacco's stock prices saw a pause in momentum following strong gains in 2013. In industrials, sheet-metal machinery maker Amada's share price declined on fears that the tax hike will slow industrial orders in the coming year. Elsewhere, vehicle parts manufacturer FCC fell on concerns over weak demand for its motorcycle components in emerging markets.

Following the change in the Company's investment mandate, key portfolio transactions included the introduction of two further Japanese companies – Denso, one of the world's largest car parts suppliers, and Aeon Financial Services (AFS),

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a credit card and consumer financial services provider. Originally a unit of Toyota Motor, Denso has successfully diversified its business and is now a leading supplier of advanced automotive technology and components for major manufacturers. With its scale and solid balance sheet, Denso is well positioned to weather the challenges within the industry. With regards to AFS, it benefits from a firm base to market its products, thanks to its parent company Aeon Co., while its merger with Aeon Bank enables it to lower its funding costs. Additionally, AFS has a good track record of building its businesses across Asia.

## Outlook

At the policy level, the Japanese economy faces headwinds from the recently introduced consumption tax rise from 5% to 8%. The government intends to push forward a massive stimulus plan to counter the negative effects of the tax hike, although the longer-term sustainability of these policies is questionable. That said, numerous companies are already diversified, with much of their earnings derived from outside Japan. In addition, the stronger government and weaker Yen, as compared to previous years, have certainly lifted sentiment.

For investors, what is heartening is that Japanese corporates are gradually focusing on shareholder returns, and corporate governance is improving. These changes should enhance Japan's investment story for the longer term. Fundamentals for our portfolio companies are improving while present valuations are fair. We remain confident in the quality of our holdings, which have done well in tougher economic environments and are well-positioned to weather any headwinds ahead.

**Aberdeen Asset Management Asia Limited  
Manager**

23 May 2014

# Strategic Report – Overview of Strategy

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## Introduction

The purpose of this report is to provide shareholders with details of the Company's business model and strategy as well as the principal risks and challenges it faces.

The business model of the Company is that of an investment trust which seeks to deliver a competitive return to its shareholders through the investment of its funds in accordance with an investment policy approved by shareholders. The policy is aimed primarily at delivering superior long term capital growth through investment in listed Japanese companies. The Board appoints and oversees an Investment Manager (the "Manager"), decides the appropriate financial policies to manage the assets and liabilities of the Company, ensures compliance with legal and regulatory requirements and reports objectively to shareholders on the Manager's performance. The Directors do not envisage any change in this model in the foreseeable future.

The Board's strategy is represented by its investment policy, financial policies, and risk management policies.

## Investment Policy

The Company primarily invests in the shares of companies which are listed in Japan but can include companies listed on other stockmarkets which earn significant revenue from trading in Japan or hold net assets predominantly in Japan. The portfolio is constructed through the identification of individual companies of any market capitalisation size and in any business sector, which offer long-term growth potential.

The portfolio is selected from the 3500 listed stocks in the Japan market and is actively managed to contain between 30 and 70 stocks which, in the Manager's opinion, represent the best basis for producing higher returns than those of the market as a whole in the long term. There will therefore inevitably be periods in which the Company's portfolio both outperforms and also underperforms the market as represented by the Company's reference benchmark which is the Topix index of the Japanese stock market.

The Board does not impose any restrictions on these shorter term performance variations from the benchmark, nor any limits on the concentration of stock or sector weightings within the portfolio, except that, no individual shareholding shall exceed 10% of the Company's portfolio at the time of purchase, although market movements may subsequently increase this percentage.

The Company may use derivatives for the purpose of efficient portfolio management and hedging. The Company's aggregate exposure to derivative instruments will not exceed

50% of its gross assets, excluding any instruments used for the purposes of currency hedging.

The full text of the Company's investment policy is provided on page 56.

## Investment Approach

The Manager's investment philosophy is that markets are not always efficient. The Manager's approach is therefore that superior investment returns are attainable by identifying good companies cheaply, defined in terms of the fundamentals that in the Manager's opinion drive share prices over the long-term. The Manager follows a bottom-up investment process based on a disciplined evaluation of companies through visits at least twice a year by its fund managers who are based in Japan. The selection of the portfolio of shares is the major source of the good performance of the portfolio and no stock is bought without the fund managers having first met management. The Manager estimates a company's worth in two stages, quality, defined by reference to management, business focus, the balance sheet and corporate governance, and then price calculated by reference to key financial ratios, the market, the peer group and business prospects. Stock selection is key in constructing a diversified portfolio of companies with macroeconomic, political factors and benchmark weightings being secondary.

Given the long-term fundamental investment philosophy, the Manager expects to hold most companies in which the Company invests for extended periods of time and this accounts for the relatively low level of activity within the portfolio.

## Financial Policies

The Board's main financial policies cover the management of shareholder capital, risk management of the Company's asset and liabilities, including currency risk, the use of gearing and the reporting to shareholders of the Company's performance and financial position.

## Management of shareholder capital

The Board's policy for the management of shareholder capital is primarily to ensure its long term growth. This growth will reflect both the Manager's investment performance and from time to time the issue of shares when sufficient demand exists to do this without diluting the value of existing shareholder capital. The Board also expects a dividend will normally be paid each year. The Board aims to achieve a stable dividend pattern and not less than the minimum required to maintain investment status. The Board will authorise buyback of shares in order to avoid excessive variability in the discount and if, despite this, the average discount exceeds 10% during the last 3 months of its



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financial year, the Board will offer shareholders the opportunity to wind up the Company at the next AGM.

### **Risk Management**

The policy for risk management is primarily focused on the investment risk in the portfolio which is covered by risk parameters in the Manager's risk management systems and overseen by the Board.

The Company may use derivatives from time to time for the purpose of mitigating risk in its investments, including protection against currency movements. The performance of the portfolio in Sterling terms is subject to fluctuations in the Yen/£ exchange rate although the Company's exposure to Yen fluctuations is moderated by the natural hedge inherent in any borrowing in Yen as well as through investments in Japanese companies which have significant sources of income from exports of goods and from non-Japanese operations.

The Board has currently determined that, approximately 50% of the Company's Yen net assets should be hedged against fluctuations in the Yen/£ exchange rate through the use of rolling forward contracts. The Board monitors the hedging policy and its effects on the Company's performance on a regular basis and, in its absolute discretion, but following consultation with the Manager, will determine what levels of Sterling hedge are appropriate in light of market movements and the composition of the portfolio from time to time. The Company's aggregate exposure to other derivative instruments not used for the purposes of currency hedging will not exceed 50% of its gross assets.

The wider corporate risks, including those arising from the increasingly regulated and competitive market place, are managed directly by the Board at its regular Board meetings. The principal risks are more fully described under the paragraph Principal Risks and Uncertainties.

### **Use of Gearing**

Gearing is the amount of borrowing used to increase the Company's portfolio of investments in order to enhance returns when and to the extent it is considered appropriate to do so or to finance share buybacks when necessary. The level of borrowing is subject to a maximum of 25% of net assets but will normally be set at a stable and lower level than the maximum. The Board has currently established a gearing level of around 10% of net assets although, with stock market fluctuations, this may range between 5-15%. The Company will normally be substantially fully invested in accordance with its investment policy but, during periods in which changes in economic conditions or other factors (such as political and diplomatic events, natural disasters and changes in laws) so warrant, the Company may reduce its

exposure to securities by reducing borrowing and increasing its cash and money market investments.

### **Shareholder Communication**

The Board is committed to its policy of keeping shareholders regularly informed about the Company's performance and in particular giving an objective and transparent report on the underlying investment performance by the Manager. The formal interim and annual reports provide a comprehensive review of the Company's overall position compliant with best practice and corporate governance requirements. The Manager provides Company presentations at the AGM and shareholder meetings.

In addition, the Company's website ([www.aberdeenjapan.co.uk](http://www.aberdeenjapan.co.uk)) contains a daily update on the latest portfolio performance and a monthly summary of investment performance together with information about the Japanese market and any other significant developments within the Company and, if requested, can also be emailed to shareholders.

### **Principal Risks and Uncertainties**

The Company's risks are regularly monitored at Board meetings and the Board believes that the Company is resilient to most short term operational risks which are effectively mitigated by the internal controls of the Manager and Depositary. Analysis and mitigation of other longer term and more strategic risks are managed by the Board. The following principal risks facing the Company and related mitigation have been identified:

#### **Investment Strategy risk**

The Company and its investment objective may become unattractive to investors. The value of Japanese equities may be affected by factors not associated with the UK, including the general health of the Japanese economy and political events in and around Japan, which can affect investor demand. The Board monitors longer term trends in investor demand and, if appropriate, can propose changes to the investment objective to the shareholders. This was the background to the Company's proposal that the investment policy be changed to all Japan in place of All Asia which was approved by shareholders in October 2013.

#### **Reputation**

The attractiveness of the Company to investors is based on the good reputation of the Manager as well as of investment trusts generally. Were investments trusts to fall out of favour as a route for investors or Aberdeen's reputation as Manager of the Trust to weaken, it is likely that investor demand would decline. The Board monitors shareholder sentiment regularly and would be able to take remedial action were its reputation to be threatened.

## Regulatory compliance risk

The Company operates under a set of UK, European and international laws and regulations. Most are designed to allow favourable tax status or enhance protection for the shareholders' investment in the Company such as the AIFMD which is being implemented this year (refer page 22 for further details). Others have wider social objectives such as the recent UK Bribery Act or the US 'FATCA' rules for identifying funds invested by US investors. The Board is active in ensuring that it fully complies with all applicable laws and regulation and is assisted by the Manager and other advisers in doing this. The Board believes that, while the consequences of non compliance can be severe, the control arrangements it has put in place reduce the likelihood of this happening. The Board regularly monitors prospective changes in laws and regulations that may affect the Company.

## Market and investment risk

Market risk arises from the Company's exposure to variations of share prices within its portfolio in response to individual company and to wider Japanese or international factors. Investment in a focussed portfolio of shares can lead to greater short term changes in the portfolio's value than in a larger portfolio of stocks and these variations will be amplified by the use of gearing. The Board regularly monitors the investment performance of the portfolio and the performance of the Manager in operating the investment policy against the long term objectives of the Company and, where appropriate, has in place mitigation measures such as the currency hedging policy.

Further details on risks relating to the Company's investment activities, including market price, interest rate, liquidity and foreign currency risks, are disclosed in Note 17 to the Financial Statements.

## Performance risk

Inappropriate investment decisions may result in the Company's underperformance against the reference benchmark and peer group and a widening of the Company's discount. The Board regularly reviews performance data and attribution analysis and other relevant factors and, were an underperformance likely to be sustained, would be able to take remedial measures.

## Share price and Discount risk

The principal risks described above each can affect the movement of the Company's share price and in some cases have the potential to increase the discount in the market value of the Company compared with NAV. The Board actively monitors the discount and believes that the combined effect of good investment performance, the risk mitigation arrangements described above and its ability to authorise buyback of shares when necessary, will both reduce discount and limit its variability.

## Key Performance Indicators (KPIs)

The key performance indicators (KPIs) which the Board uses to monitor the Company's performance are established industry measures, and are as follows:

- net asset value (total return) relative to the Company's benchmark;
- share price (total return) vs peers; and
- discount or premium of the share price to net asset value vs sector average on an annual basis.

Performance is compared against the Company's benchmark and selected peer companies but, in view of the Manager's style of investing, there can be, in the short-term, considerable divergence from both comparators. Therefore the Board uses 3 year rolling performance for KPI measurement for NAV and share price total return.

## Board Diversity

The Board recognises the importance of having a diverse group of Directors with the right mix of competencies to allow the Board to fulfil its obligations. At 31 March 2014 there were three male Directors and one female Director, all of whom bring different experience and skills and contribute distinctively to the Board's performance. The Board's statement on diversity is set out on page 21.

## Employee, Environmental, Social and Human Rights Issues

The Company has no employees as it has delegated operational management to Aberdeen Asset Managers Limited. There are therefore no disclosures to be made in respect of employees. The Company's approach to corporate responsible investment is outlined on page 23.

The Strategic Report was approved by the Board of Directors and signed on its behalf by:

for Aberdeen Japan Investment Trust PLC

**Neil Gaskell**

Chairman

23 May 2014

# Strategic Report - Results

## Financial Highlights

	31 March 2014	31 March 2013	% change
Total assets	£60,972,000	£66,447,000	-8.2
Total equity shareholders' funds (net assets)	£55,148,000	£60,352,000	-8.6
Market capitalisation	£47,750,919	£56,104,594	-14.9
Share price (mid market)	327.25p	384.50p	-14.9
Net asset value per share	377.94p	413.61p	-8.6
Discount to net asset value	13.4%	7.0%	
Net gearing <sup>A</sup>	9.7%	9.2%	
<b>Operating costs</b>			
Ongoing charges ratio – excluding performance fee <sup>B</sup>	1.41%	1.39%	
Ongoing charges ratio – including performance fee <sup>B</sup>	1.41%	1.47%	
<b>Earnings</b>			
Total return per share	(30.91p)	58.98p	
Revenue return per share	6.00p	5.13p	
Proposed final dividend per share	4.50p	4.75p	
Revenue reserves (prior to payment of proposed final dividend)	£1,671,000	£1,489,000	

Definitions are disclosed on page 49.

<sup>A</sup> Calculated in accordance with AIC guidance "Gearing Disclosures post RDR".

<sup>B</sup> Ongoing charges ratio calculated in accordance with guidance issued by the AIC as the total of the investment management fee and administrative expenses divided by the average cum income net asset value throughout the year.

## Performance (total return)<sup>A</sup>

	8 October 2013 – 31 March 2014	1 April 2013 – 7 October 2013	1 year % return	3 year % return	5 year % return	Since AAM takeover 9 November 2006 % return
Share price	-4.5%	-9.6%	-13.7%	+12.2%	+109.2%	+62.4%
Net asset value	+0.9%	-8.3%	-7.5%	+12.8%	+106.5%	+72.0%
Composite Index <sup>B</sup>	-3.7%	-2.4%	-5.9%	+5.0%	+65.5%	+43.1%

Source: Aberdeen Asset Management, Factset & Morningstar.

<sup>A</sup> Total return represents capital return plus dividends reinvested.

<sup>B</sup> Composite Index represents the MSCI AC Asia Pacific (including Japan) Index (in Sterling terms) up to 7 October 2013 and the TOPIX (in Sterling terms) from 8 October 2013.

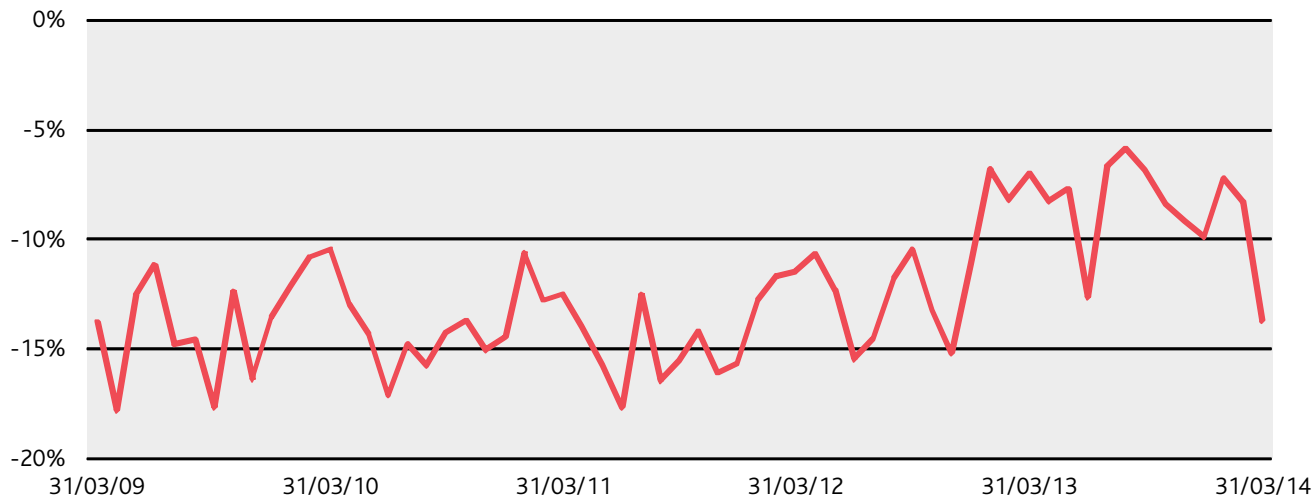
## Dividends

	Rate	Ex-dividend date	Record date	Payment date
Proposed final dividend 2014	4.50p	18 June 2014	20 June 2014	18 July 2014
Final dividend 2013	4.75p	26 June 2013	28 June 2013	26 July 2013

# Strategic Report - Performance

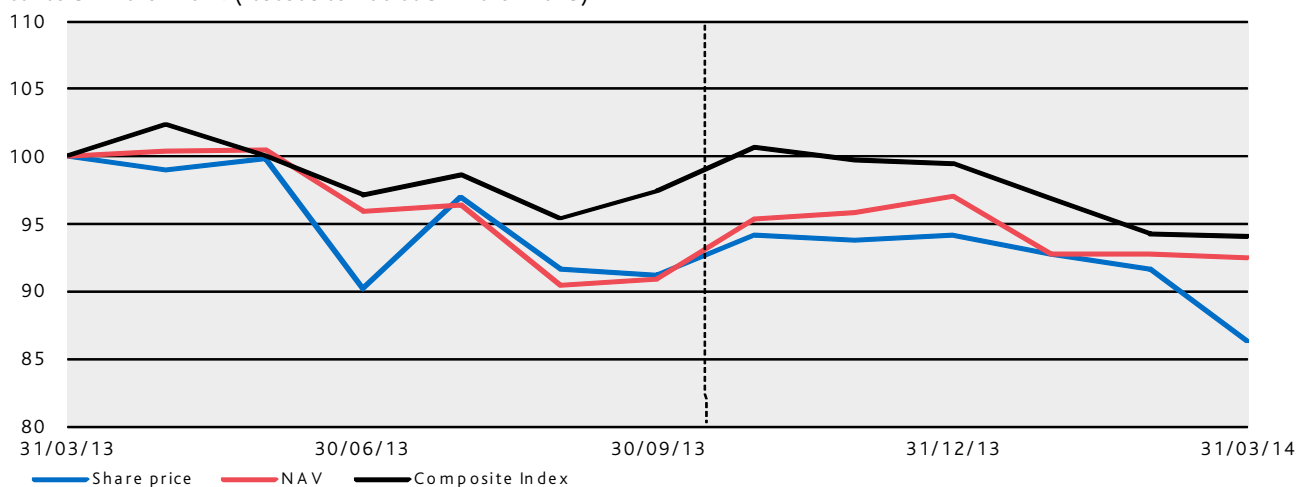
## Share Price Discount to NAV

Five years to 31 March 2014



## Total Return of NAV and Share Price vs Composite Index (in Sterling terms)

Year to 31 March 2014 (rebased to 100 at 31 March 2013)



---- This line represents the date of investment mandate change.

## Ten Year Financial Record

Year to 31 March	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total revenue (£'000)	551	580	747	1,202	1,242	1,061	1,525	1,788	1,604	1,710
<b>Per share (p)</b>										
Net revenue return	(0.28)	(0.74)	0.47	3.04	3.50	2.25	4.65	6.03	5.13	6.00
Total return	(9.54)	90.22	(18.89)	7.49	(56.07)	125.36	32.46	12.05	58.98	(30.91)
Dividend	0.00	0.00	0.00	0.00	2.40	1.50	3.25	4.75	4.75	4.50
Net asset value	168.55	258.76	239.87	247.82	192.67	316.34	347.30	359.38	413.61	377.94
Shareholders' funds (£'000)	28,125	43,179	40,026	40,329	30,311	49,009	53,805	52,439	60,352	55,148

## Investment Portfolio – Ten Largest Investments

As at 31 March 2014

Company	Sector	Valuation 2014 £'000	Total assets %	Valuation 2013 £'000
<p><b>Shin-Etsu Chemical Company</b></p> <p>Despite the challenging environment, the Japanese maker of specialised chemicals remains a leader in its industry, due to its technological edge and a greater focus on profits than most rivals.</p>	Chemicals	3,450	5.7	2,295
<p><b>Fanuc Corporation</b></p> <p>A leading manufacturer of factory automation systems, equipment and robots that has an excellent track record of being able to maintain margins with robust cash flow and a strong net cash position.</p>	Industrial Engineering	2,863	4.7	1,287
<p><b>Keyence Corporation</b></p> <p>The leading maker of sensors has a cash generative business and is backed by a strong balance sheet and technological expertise.</p>	Electronic & Electrical Equipment	2,775	4.5	–
<p><b>Canon Inc</b></p> <p>A world leader in imaging products, printers and cameras and one of the best-performing companies in Japan. Canon has benefited from strong digital camera sales, particularly in the high-end SLR segment. Its prospects are strong, and valuations attractive.</p>	Technology Hardware & Equipment	2,545	4.2	2,120
<p><b>Japan Tobacco Inc</b></p> <p>The world's third-largest cigarette company with a dominant domestic market share, Japan Tobacco has made good overseas acquisitions and is positioned to gain from exposure to emerging markets.</p>	Tobacco	2,538	4.2	897
<p><b>Seven &amp; I Holdings Company</b></p> <p>A Japanese retail conglomerate with interests in a wide range of domestic businesses including convenience stores, discount stores, supermarkets, department stores and food services, which gives its earnings a defensive edge.</p>	General Retailers	2,463	4.0	1,416
<p><b>Chugai Pharmaceutical Company</b></p> <p>Roche's subsidiary in Japan, Chugai has a strong pipeline of drugs and is able to leverage its parent's portfolio and research.</p>	Pharmaceuticals & Biotechnology	2,358	3.9	926
<p><b>Nabtesco Corporation</b></p> <p>The hydraulic equipment maker has a high market share in its businesses thanks to its technological edge in niche areas. It also has healthy finances and a good track record on cost controls.</p>	Industrial Engineering	2,336	3.8	–
<p><b>Mandom Corporation</b></p> <p>The well-managed beauty care products company delivers growth through effective product innovation and cost controls. Encouragingly, its overseas operations are witnessing healthy growth and business prospects are sound.</p>	Personal Goods	2,074	3.4	–
<p><b>Toyota Motor Corporation</b></p> <p>Japan's largest car manufacturer, it also operates financing services through its subsidiaries. We like it for its global presence and solid overseas growth prospects.</p>	Automobiles & Parts	2,066	3.4	1,629
<b>Top ten investments</b>		<b>25,468</b>	<b>41.8</b>	

## Investment Portfolio – Other Investments

As at 31 March 2014

Company	Sector	Valuation	Total	Valuation
		2014	assets	2013
		£'000	%	£'000
East Japan Railway Company	Travel & Leisure	2,051	3.4	–
Bank Of Yokohama	Banks	1,947	3.3	–
Honda Motor Company	Automobiles & Parts	1,888	3.1	1,701
Astellas Pharma Inc	Pharmaceuticals & Biotechnology	1,854	3.0	–
Unicharm Corporation	Personal Goods	1,752	2.9	–
KDDI Corporation	Mobile Telecommunications	1,653	2.7	–
Daito Trust Construction Company	Construction & Materials	1,639	2.7	–
Kansai Paint Company	Chemicals	1,630	2.7	–
Asics Corporation	Personal Goods	1,476	2.4	–
Amada Company	Industrial Engineering	1,438	2.3	–
<b>Top twenty investments</b>		<b>42,796</b>	<b>70.3</b>	
Asahi Intecc Company	Health Care Equipment & Services	1,354	2.2	–
Pigeon Corp	Personal Goods	1,327	2.2	–
Yahoo Japan Corp	Software & Computer Services	1,244	2.0	–
Mitsubishi Estate Company	Real Estate Investment Services	1,223	2.0	–
Nippon Paint Company	Chemicals	1,092	1.8	–
Daibiru Corporation	Real Estate Investment Services	1,077	1.8	–
Shimano Inc	Leisure Goods	1,025	1.7	–
Makita Corporation	Household Goods & Home Construction	989	1.6	–
USS Company	General Retailers	947	1.6	–
FCC Company	Automobiles & Parts	940	1.5	–
<b>Top thirty investments</b>		<b>54,014</b>	<b>88.7</b>	
Calbee Inc	Food Producers	928	1.5	–
San-A Company	Food & Drug Retailers	904	1.5	–
Sysmex Corp	Health Care Equipment & Services	881	1.4	–
Resorttrust Inc	Travel & Leisure	780	1.3	–
Aisin Seiki Company	Automobiles & Parts	759	1.2	–
Takeda Pharmaceutical Company	Pharmaceuticals & Biotechnology	581	1.0	1,494
Denso Corp	Automobiles & Parts	556	0.9	–
Aeon Financial Service Company	Financial Services	393	0.6	–
<b>Total investments</b>		<b>59,796</b>	<b>98.1</b>	
<b>Net current assets<sup>A</sup></b>		<b>1,176</b>	<b>1.9</b>	
<b>Total assets</b>		<b>60,972</b>	<b>100.0</b>	

<sup>A</sup> Excludes bank loans of £5,824,000.

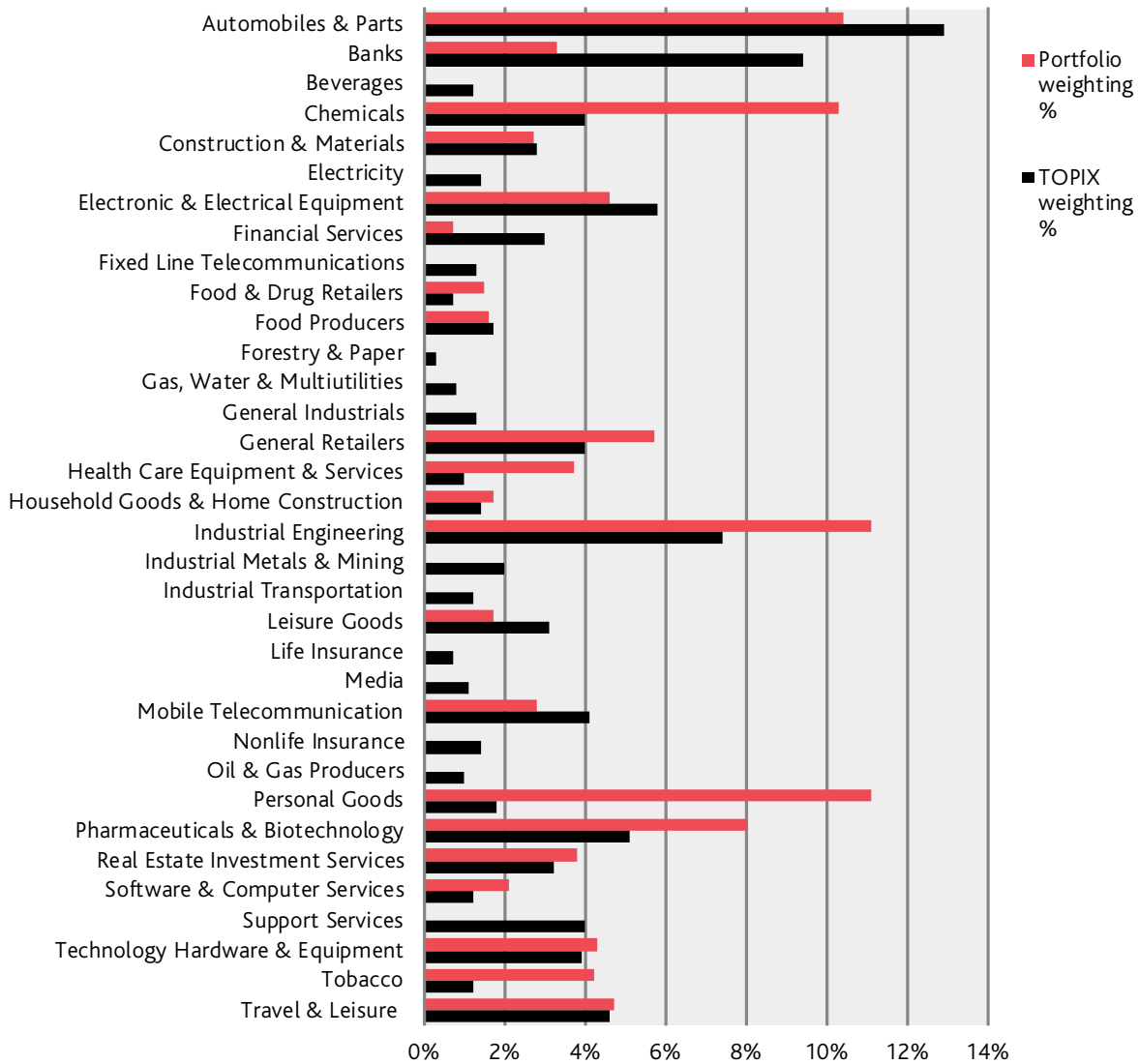
Unless otherwise stated, foreign stock is held and all investments are equity holdings.

In the 2013 valuation column "-" denotes stock not held at last year end.

# Sector Analysis

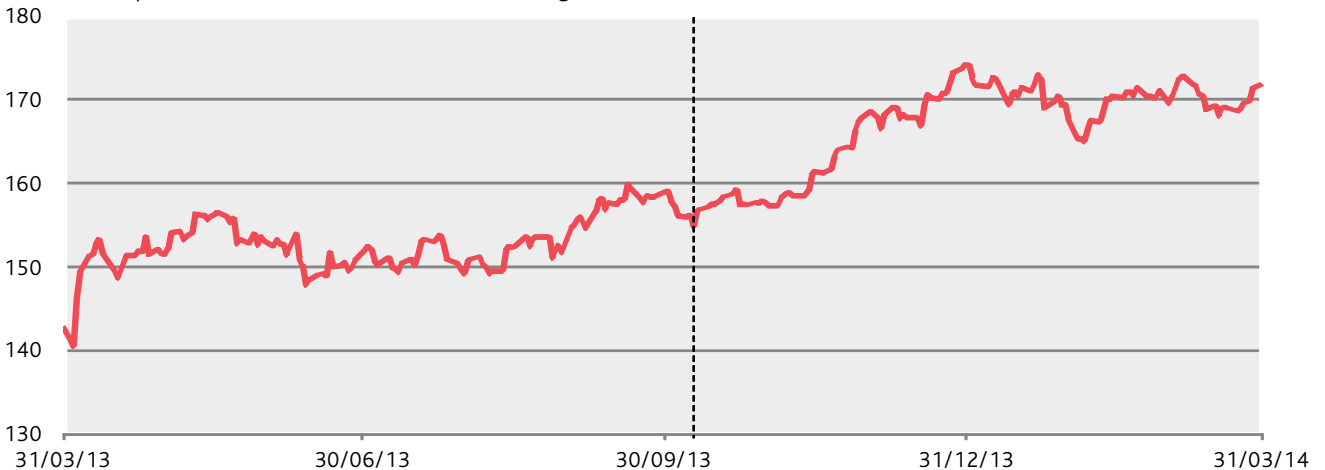
As at 31 March 2014

## Sector Breakdown



## Yen/Sterling Currency Movement

---- This line represents the date of investment mandate change.



## Your Board of Directors

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The Directors, all of whom are non-executive and independent of the Manager, supervise the management of Aberdeen Japan Investment Trust PLC and represent the interests of Shareholders.



### Neil Gaskell

**Status:** Independent Non-Executive Chairman (from 24 September 2008)

**Length of service:** 10 years; appointed a Director on 31 March 2004

**Experience:** formerly treasurer of the Royal Dutch Shell Group and a director of Shell International. During the course of his career he was Shell's finance manager in Brunei and its representative director in Showa Shell KK, Japan.

**Committee membership:** Audit Committee, Management Engagement Committee (Chairman), Nomination Committee (Chairman) and Remuneration Committee (Chairman)

**Remuneration:** Year ended 31 March 2014 - £23,000

**All other public company directorships:** Martin Currie Global Portfolio Trust plc and Integra Group

**Employment by the Manager:** None

**Other connections with Company or Manager:** None

**Shared Directorships with any other Company Directors:** None

**Shareholding in Company:** 12,500 Ordinary shares

**Meetings attended during the year:**

Routine Board meetings: 5/5

Audit Committee meetings: 3/3

Nomination Committee meetings: 2/2

Remuneration Committee meetings: 2/2

Management Engagement Committee meetings: 2/2



### Kevin Pakenham

**Status:** Senior Independent Non-Executive Director (from 1 April 2009) and Chairman of the Audit Committee (from 24 September 2008)

**Length of service:** 6 years; appointed a Director on 1 August 2007

**Experience:** currently Director of Pakenham Partners Limited. Prior to that he was Managing Director in London of Jefferies International Ltd from 2007 to 2011. He was CEO of John Govett & Co. from 1988 to 2000, including under its ownership by Allied Irish Banks. He was Managing Director of F&C Management from 1983 to 1988, and has served on a wide variety of investment boards in Europe, the USA and the Asia Pacific region.

**Committee membership:** Audit Committee (Chairman), Management Engagement Committee, Nomination Committee and Remuneration Committee

**Remuneration:** Year ended 31 March 2014 - £18,000

**All other public company directorships:** None

**Employment by the Manager:** None

**Other connections with Company or Manager:** None

**Shared Directorships with any other Company Directors:** None

**Shareholding in Company:** 11,042 Ordinary shares

**Meetings attended during the year:**

Routine Board meetings: 5/5

Audit Committee meetings: 3/3

Nomination Committee meetings: 2/2

Remuneration Committee meetings: 2/2

Management Engagement Committee meetings: 2/2





### Sir Andrew Burns

**Status:** Independent Non-Executive Director

**Length of service:** 6 years; appointed a Director on 27 February 2008

**Experience:** a career British diplomat from 1965 to 2003, he has extensive experience of Asia including the Indian subcontinent and South-East Asia as well as Greater China. He was British Consul-General in Hong Kong and Macau from 1997 to 2000 and High Commissioner to Canada from 2000 to 2003. He is currently UK Envoy for Post-Holocaust Issues.

**Committee membership:** Audit Committee, Management Engagement Committee, Nomination Committee and Remuneration Committee

**Remuneration:** Year ended 31 March 2014 - £16,500

**All other public company directorships:** JPMorgan Chinese Investment Trust PLC

**Employment by the Manager:** None

**Other connections with Company or Manager:** None

**Shared Directorships with any other Company Directors:** None

**Shareholding in Company:** 2,754 Ordinary shares

**Meetings attended during the year:**

Routine Board meetings: 5/5

Audit Committee meetings: 3/3

Nomination Committee meetings: 2/2

Remuneration Committee meetings: 2/2

Management Engagement Committee meetings: 2/2



### Karen Brade

**Status:** Independent Non-Executive Director

**Length of service:** 1 year; appointed a Director on 1 May 2013

**Experience:** Has over 20 years of investment experience in a range of sectors and markets. She began her career at Citibank, working on various multi-national project finance transactions. She was an investment principal at the Commonwealth Development Corporation (later Actis), a leading emerging markets private equity firm, where she directed equity and debt investing, portfolio management, fund raising and investor development including India, South Asia and China. Since 2005 she has been an adviser to hedge funds, family offices and private equity houses.

**Committee membership:** Audit Committee, Management Engagement Committee, Nomination Committee and Remuneration Committee

**Remuneration:** Year ended 31 March 2014 - £15,125

**All other public company directorships:** Crown Place VCT PLC, CP1 VCT PLC and CP2 VCT PLC

**Employment by the Manager:** None

**Other connections with Company or Manager:** None

**Shared Directorships with any other Company Directors:** None

**Shareholding in Company:** 1,400 shares

**Meetings attended during the year:**

Routine Board meetings: 5/5

Audit Committee meetings: 3/3

Nomination Committee meetings: 2/2

Remuneration Committee meetings: 2/2

Management Engagement Committee meetings: 2/2

# Directors' Report

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## Status

The Company is registered as a public limited company. The Company is an investment company as defined by Section 833 of the Companies Act 2006 and is a member of the Association of Investment Companies. The Company is registered in England & Wales under No. 3582911.

The Company has been accepted by HM Revenue & Customs as an investment trust subject to the Company continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011/2999 for all financial years commencing on or after 1 April 2012. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 March 2014 so as to enable it to comply with the ongoing requirements for investment trust status.

The Company intends to manage its affairs so as to be a qualifying investment for inclusion in the stocks and shares component of an Individual Savings Account and it is the Directors' intention that the Company should continue to qualify.

## Share Capital and Rights attaching to the Company's Shares

There were no changes in the Company's share capital during the year ended 31 March 2014. At 31 March 2014 the Company had 14,591,572 ordinary shares of 10p in issue. There have been no changes in the Company's issued share capital since the year end and up to the date of this report.

Each ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every share held. The ordinary shares carry a right to receive dividends which are declared from time to time by an ordinary resolution of the Company (up to the amount recommended by the Board). On a winding-up, after meeting the liabilities of the Company, the surplus assets will be paid to ordinary shareholders in proportion to their shareholdings.

There are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions which may from time to time be imposed by law (for example, insider trading law) and there are no special rights attached to any of the shares. The Company is not aware of any agreements between shareholders which may result in restriction on the transfer of shares or the voting rights.

The rules concerning amendments to the articles of Association and powers to issue or buy back the Company's shares are contained in the articles of association of the Company and the Companies Act 2006.

## Results and Dividend

The Company's results and performance for the year are detailed on page 9.

The Directors recommend that a final dividend of 4.5p (2013 – 4.75p) is paid on 18 July 2014 to shareholders on the register on 20 June 2014. The ex-dividend date is 18 June 2014. A resolution in respect of the final dividend will be proposed at the forthcoming Annual General Meeting.

## Directors

Details of the current Directors are provided on pages 14 to 15. Karen Brade was appointed as a non-executive Director with effect from 1 May 2013. Robert Jenkins resigned from the Board on 31 December 2013.

All Directors will stand for election at the forthcoming AGM. The reasons for the Board's recommendations for their re-elections are set out in the Statement of Corporate Governance.

There were no changes in Directors' shareholdings between the year end and the date of this Report.

## Directors' Insurances and Indemnities

The Company's articles of association indemnify each of the Directors out of the assets of the Company against any liabilities incurred by them as a Director of the Company in defending proceedings, or in connection with any application to the Court in which relief is granted. Directors' & Officers' liability insurance cover has been maintained throughout the year at the expense of the Company. The Directors have been granted a qualifying indemnity provision by the Company which is currently in force.

## Corporate Governance

The Statement of Corporate Governance, which forms part of the Directors' Report, is contained on pages 19 to 23.

## Manager and Company Secretary

Since 10 November 2006, investment management services have been provided to the Company by AAM Asia (the "Manager") under an investment management agreement dated 6 October 2006 (the "Agreement"), which is terminable by either party on six months' notice to the other. Under the Agreement, the Manager also provides company secretarial, accounting and administrative services through its parent company, Aberdeen Asset Management PLC ("Aberdeen").

Following the change in the Company's investment objective during the year, the investment management fee arrangements were amended. The investment management fees payable to the Manager effective from 8 October 2013

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is calculated at a rate of 0.95% per annum of the value of the Company's Total Assets up to £50 million decreasing to 0.75% of the value of the Company's assets over and above £50 million, and is payable monthly in arrears. No performance fee is payable.

The management and secretarial fees paid during the period ended 31 March 2014 are shown in Notes 3 and 4 to the Financial Statements.

The Board has undertaken a detailed review of the performance of the Manager and the terms of the Agreement and is of the opinion that the continuing appointment of the Manager is in the best interests of shareholders as a whole. The key factors taken into account in reaching this decision were the commitment, investment skills and experience of the Manager's personnel and the long term record of their performance in managing equities in the Japan region.

### Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions or other emissions producing sources to report from its operations.

### Continuance of the Company

The Company does not have a fixed life. However, under the articles of association, if, in the 90 days preceding the Company's financial year-end (31 March), the ordinary shares have been trading, on average, at a discount in excess of 10% to the underlying net asset value over the same period, notice will be given of an ordinary resolution to be proposed at the following AGM to approve the continuation of the Company. In the 90 days to 31 March 2014, the ordinary shares traded at an average discount of 6.8% to the underlying net asset value, therefore no resolution will be put to the Company's shareholders at the forthcoming AGM.

### Annual General Meeting

The Annual General Meeting will be held on 15 July 2014. The notice of the Annual General Meeting and related notes may be found on pages 50 to 53. Resolutions relating to the following items will be proposed at the forthcoming Annual General Meeting:-

#### Authority to Allot Shares

Ordinary Resolution No. 10 seeks to renew the authority to allot the unissued share capital up to an aggregate nominal amount of £145,916 (equivalent to 1,459,157 ordinary shares, or 10% of the Company's existing issued share capital at the date of this Report).

#### Limited Disapplication of Pre-emption Provisions

Special Resolution No. 11 seeks to renew the Directors' authority to allot ordinary shares and sell shares held in treasury (see below), without first being required to offer

those shares to shareholders, at a price above the undiluted net asset value per share at the allotment. The authorisation is limited to:-

- a) the issue of shares otherwise than as described in (b) up to an aggregate nominal value of £145,915 (equivalent to 10% of the ordinary shares in issue at the date of this Report); and
- b) the allotment of shares in connection with an offer to all holders of ordinary shares in proportion to their holdings in the Company.

This authority will last until the conclusion of the Annual General Meeting held in 2015 or, if earlier, 30 September 2015 (unless previously varied, revoked or extended).

The Company may hold such shares "in treasury" and then sell them at a later date for cash rather than simply cancelling them. Such sales are required to be on a pre-emptive, pro rata, basis to existing shareholders, unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, in addition to giving the Directors power to allot unissued ordinary share capital on a non pre-emptive basis, Resolution No. 11 will also give the Directors power to sell ordinary shares held in treasury on a non pre-emptive basis, subject always in both cases to the limitations noted above. Pursuant to this power, ordinary shares would only be issued for cash and treasury shares would only be sold for cash at a price not less than the net asset value per share. (Treasury shares are explained in more detail under the heading "Share Repurchases" below).

#### Share Repurchases

Special Resolution No. 12 will be proposed to authorise the Company to make market purchases of its own ordinary shares. The Company may do either of the following in respect of its own ordinary shares which it buys back and does not immediately cancel but, instead, holds "in treasury":-

- a) sell such shares (or any of them) for cash (or its equivalent); or
- b) ultimately cancel the shares (or any of them).

The Directors intend to continue to take advantage of this flexibility. No dividends will be paid on treasury shares, and no voting rights attach to them. The maximum aggregate number of ordinary shares which may be purchased pursuant to the authority is 14.99% of the issued ordinary share capital of the Company as at the date of the passing of the resolution (approximately 2.2 million ordinary shares). The minimum price which may be paid for an ordinary share shall be 10p (exclusive of expenses). The maximum price (exclusive of expenses) which may be paid for the shares is the higher of:

## Directors' Report *continued*

- a) 5% above the average of the market value of the ordinary shares (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase; and
- b) the higher of the price of the last independent trade and the highest current independent bid on the main market for the ordinary shares.

This authority, if conferred, will only be exercised if to do so would result in an increase in net asset value per ordinary share for the remaining shareholders, and if it is in the best interests of shareholders generally. This authority will last until the conclusion of the Annual General Meeting of the Company to be held in 2015 or, if earlier, 30 September 2015 (unless previously revoked, varied or renewed).

Your Board considers the above resolutions to be in the best interests of the Company and its members as a whole and most likely to promote the success of the Company for the benefit of its members as a whole. Accordingly, your Board unanimously recommends that shareholders should vote in favour of the resolutions to be proposed at the Annual General Meeting.

### Going Concern

The Company's assets consist of equity shares in companies listed on recognised stock exchanges and in most circumstances are realisable within a short timescale.

The Board has set limits for borrowing and regularly reviews the gearing level, cash flow projections and compliance with banking covenants. In January 2014, the Company agreed the extension, by one year, of its £10 million existing multi-currency loan facility with Standard Chartered Bank. The Company will open renewal negotiations with its bankers in due course, but at this stage has not sought any commitment that the revolving facility will be renewed. If acceptable terms were to be available from the existing bankers, or any alternative, the Company would expect to continue to be able to access a similar facility; if, however, acceptable terms are not forthcoming, any outstanding amount will be repaid through proceeds of equity sales.

The Directors have calculated that, in the 90 days ended 31 March 2014, the Ordinary shares traded at an average discount of 6.8% to the underlying net asset value. The independent auditor has reviewed the accuracy of the calculation. Accordingly, no resolution on the continuation of the Company will be put to the Company's shareholders at the Annual General Meeting.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. This takes account of the liquidity of the Company's investments, and that the earliest date that the Company may be subject to a continuation vote is at the Annual General Meeting of the Company to be held in 2015.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### Substantial Interests

At 31 March 2014 and at the date of this Report, the following were registered, or had notified the Company, as being interested in 3% or more of the Company's ordinary share capital:

Shareholder	Number of shares held	% held
Aberdeen Asset Management – retail plans	1,290,128	8.8
Reliance Mutual	975,000	6.7
Jupiter Asset Management	831,050	5.7
Brewin Dolphin	730,045	5.0
Wesleyan Assurance	681,768	4.7
Charles Stanley, stockbrokers	479,070	3.3

### Financial Instruments

Information relating to the Company's financial instruments, including financial risk management objectives and exposure to price, credit, liquidity and cash flow risks, can be found in note 17 to the financial statements.

### Auditor

The Company's auditor, Grant Thornton UK LLP, is willing to continue in office, and a resolution will be proposed at the Annual General Meeting to re-appoint them, and to authorise the Directors to fix their remuneration.

The Directors who held office at the date of this Report each confirm that, so far as he or she is aware, there is no relevant audit information of which the Company's auditor are unaware; and he or she has taken all the steps that he or she might reasonably be expected to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

By Order of the Board and signed on its behalf

### Aberdeen Asset Management PLC

#### Secretary

Bow Bells House  
1 Bread Street  
London, EC4M 9HH

23 May 2014

# Statement of Corporate Governance

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## Introduction

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance, and this statement describes how the Company applies the principles identified in the UK Corporate Governance Code (the "Governance Code") published in June 2012, which is available on the Financial Reporting Council's website: [www.frc.org.uk](http://www.frc.org.uk). The Association of Investment Companies has also published a Code of Corporate Governance for Investment Trusts© ("AIC Code"), which is available on the AIC's website: [www.theaic.co.uk](http://www.theaic.co.uk). The AIC Code forms a comprehensive guide to best practice in certain areas of governance where the specific characteristics of investment trusts suggests alternative approaches to those set out in the Governance Code that may be preferable. There is a certain amount of overlap with the Governance Code, although the focus of attention is on the points of difference.

## Application of the Principles of the Codes

This statement describes how the principles identified in the Governance Code and the AIC Code have been applied by the Company throughout the year, except where disclosed below.

The Listing Rules of the UK Listing Authority require the Board to report on compliance with the Governance Code provisions throughout the year. The Company has complied in full throughout the year with the AIC Code. In instances where the Governance Code and AIC Code differ, an explanation is given in this Statement of Corporate Governance.

The exception to compliance with the Governance Code, which is explained more fully under the heading of "The Board", is that the Chairman chairs the Remuneration Committee (Governance Code Principle D.2.1). The Board is of the opinion that the Company has complied fully with the recommendations of the AIC Code and the relevant provisions of the Governance Code.

## The Board

The Board consists of a non-executive Chairman and three non-executive Directors, all of whom are considered under the Codes to be independent of the investment manager ("AAM Asia" or "the Manager") and free of any relationship which could materially interfere with the exercise of their independent judgement on issues of strategy, performance, resources and standards of conduct.

The Board considers that, at the date of his appointment as Chairman on 24 September 2008, Neil Gaskell was independent and that he remains so. The Governance Code states that, following appointment, the test of independence

is not appropriate in relation to the Chairman. However, the AIC Code states that the test of independence continues to be appropriate and, consequently, the Board will follow the AIC Code.

The number of routine Board and Committee meetings attended by each Director during the year compared to the total number of meetings that each Director was entitled to attend is provided on pages 14 to 15. The Board meets formally at least five times a year, and more frequently where business needs require. In addition, the Board maintains regular contact with the Manager.

Directors also attended a number of non-scheduled meetings during the financial year to deal with special project matters relating to the change of investment mandate.

The primary focus at regular Board meetings is a review of investment performance and associated matters including gearing and hedging policies, asset allocation, marketing and investor relations, peer group information and industry issues.

To enable the Board to function effectively and allow Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including the Manager's review and discussion documents regarding specific matters. Directors have made further enquiries where necessary.

The Board sets the Company's values and objectives and ensures that its obligations to its shareholders are met. It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues.

These matters include:

- the maintenance of clear investment objectives and risk management policies;
- the monitoring of the business activities of the Company ranging from analysis of investment performance through to annual budgeting and quarterly forecasting and variance analysis;
- Companies Act requirements such as the approval of the half yearly and annual financial statements and approval and recommendation of any interim or final dividends respectively;
- setting the range of gearing in which the Manager may operate;
- major changes relating to the Company's structure, including share buy-backs and share issuance;
- Board appointments and removals and the related terms;

## Statement of Corporate Governance *continued*

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- authorisation of Directors' conflicts or possible conflicts of interest;
- terms of reference and membership of Board Committees;
- appointment and removal of the Manager and the terms and conditions of the management and administration agreements relating thereto; and
- Stock Exchange/UK Listing Authority/Financial Conduct Authority - responsibility for approval of all circulars, listing particulars and other releases concerning matters decided by the Board.

The Board regularly monitors the interests of each Director and a register of Directors' interests, including potential conflicts of interest, is maintained by the Company. Directors who have potential conflicts of interest will not take part in any discussions which relate to that particular conflict. The Board continually monitors potential conflicts of interests.

The Board adopts a zero tolerance approach to bribery and corruption and has implemented appropriate procedures designed to prevent bribery.

There is no age limit for Directors in the articles of association. The Board's policy on tenure is that Directors need not serve on the Board for a limited period of time only. The Board does not consider that the length of service of a Director is as important as the contribution he or she has to make, and therefore the relevance of individual length of service will be determined on a case by case basis, but taking into account the maximum service periods recommended in the Governance Code.

The Board has implemented the provisions of the UK Code whereby all Directors of the Company will stand for re-election on an annual basis.

There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Company's expense. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representatives who are responsible to the Board:

- for ensuring that Board procedures are complied with;
- under the direction of the Chairman, for ensuring good information flows with the Board and its Committees, as well as facilitating induction and assisting with professional development as required; and
- for advising, through the Chairman, on all corporate governance matters.

### Board Committees

The terms of reference, which are reviewed annually, for each of the four Board Committees, may be found on the Company's website ([www.aberdeenjapan.co.uk](http://www.aberdeenjapan.co.uk)) under 'Corporate Governance' within the 'Trust Profile' section.

### Report of the Audit Committee

The Audit Committee is chaired by Kevin Pakenham and comprises all Directors of the Company. The Committee is satisfied that it has the necessary recent and relevant financial experience to fulfil its responsibilities. During the financial year the Committee reviewed the following key areas of its responsibilities:

- that the annual and interim financial statements, and the accounting policies applied therein, taken as a whole, are fair, balanced and understandable, provide the information necessary for shareholders to assess the Company's performance, business model and strategy and complies with financial and regulatory reporting requirements.
- report to the Board on significant financial reporting issues and to recommend for their approval the annual report and accounts.
- that the internal control and risk management systems on which the Company is reliant meet the needs of the Company and provide appropriate mitigation to the risks of the Company's operations. During the year the Committee reviewed detailed reports from Aberdeen's internal audit and risk management. Areas discussed included the arrangements for IT security, the control of transactions between shareholders and the Company, the adequacy of key investment staff succession plans and the effectiveness of the Manager's risk and internal audit functions for the purposes of the Company.
- that, as the Company has no employees, a whistle blowing policy was not deemed to be necessary.
- to consider the re-appointment, remuneration and terms of engagement of the external auditor having reviewed the external auditor's independence, objectivity, effectiveness, resources and qualification for the provision of audit services and confirmed that the non-audit services provided in relation to the circular and prospectus issued in September 2013 for the change of investment mandate, did not compromise independence. The Company appointed Robson Rhodes LLP as its external auditor in 1998, year of incorporation. That firm merged with Grant Thornton in 2007. In accordance with professional guidelines, the audit partner is rotated at least every five years. Following completion of the 2014 audit, the current audit partner will have served five years and accordingly a new audit partner will be appointed. The Committee considered the need for a tender of the audit contract in the light of the tenure of the auditor and determined that, in view of the current position of the Company, this would not be appropriate this year but that this would be reviewed annually over the next 3 years.

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### Significant Accounting Issues

The Committee considered the following significant accounting issues, including those communicated by the external auditor, in relation to the Company's financial statements for the year to 31 March 2014:

- the valuation, existence and ownership of investments. The valuation of investments, which are in quoted securities, is undertaken in accordance with the stated accounting policies. The Committee reviews internal control reports from the Manager which provides details of the controls in place regarding the recording and pricing of investments. The audit includes independent confirmation of the existence of all investments from the Company's custodian and the valuation of investments to external price sources.
- the impact of the change of investment mandate including costs, the change in the allocation of costs (see note 1 (d) to the financial statements) and the accounting treatment of currency hedging (see note 17 to the financial statements).
- Improper revenue recognition. Investment income is accounted in accordance with the stated accounting policies and regularly reviewed by the Committee. The audit includes an analytical review of the Company's income stream and any significant adjustments made.

### Management Engagement Committee

The Management Engagement Committee is chaired by Neil Gaskell and comprises all Directors of the Company. The Committee annually reviews matters concerning the management contract (the "Agreement") between the Company and the Manager. Details of the Agreement are shown on pages 34 to 35 of this Report.

### Remuneration Committee

The Remuneration Committee is chaired by Neil Gaskell and comprises all Directors of the Company. The remuneration of the Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The Company's policy on Directors' remuneration, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report.

### Nomination Committee

The Nomination Committee is chaired by Neil Gaskell and comprises all Directors of the Company. The Committee's duties include annual appraisals, succession planning, new appointments and training. New appointments are made on merit, taking into account the benefits of diversity, including gender. The Board's overriding priority is to appoint the most appropriate candidate and has not set any measurable targets in relation to the diversity of the Board.

The Committee reviews the composition, experience and commitment of the Directors. Following such a review in 2013, Karen Brade was appointed as a non-executive Director on 1 May 2013.

New Directors are given appropriate induction from the Manager which includes relevant information regarding the Company and their duties as a Director. Directors are provided with appropriate training on changes in regulatory requirements, relevant industry issues and developments and are able to participate in training courses run by the AIC and other financial services providers.

The Committee has undertaken an annual performance evaluation, using questionnaires and discussion, to ensure that the Directors have all devoted sufficient time and contributed adequately to the work of the Board and Committees and to consider each Director's independence and other commitments. The outcome of this evaluation was satisfactory in each case and each Director is committed to serve the Company effectively.

The Committee recommended, with the relevant Directors recusing themselves, the nomination for re-election, at the forthcoming Annual General Meeting, of Neil Gaskell, Sir Andrew Burns, Kevin Pakenham and Karen Brade. Neil Gaskell has an excellent working knowledge of Japan over many years of doing business there and has made a significant contribution to the work of the Board, especially in his role as Chairman. Sir Andrew Burns has an excellent working knowledge of Asia which is viewed by the Board as particularly relevant to the Company. Kevin Pakenham has considerable experience of the investment management industry, long business experience in Asia and his role as Chairman of the Audit Committee is greatly valued. Karen Brade has over 20 years' investment experience in a range of sectors and markets, including equity and debt investing, portfolio management, fund raising and investor development in Asia.

### Communication with Shareholders

The Company places a great deal of importance on communication with its shareholders. The Manager has an annual programme of meetings with institutional shareholders and reports back to the Board on these meetings.

The Company has adopted a nominee code, which ensures that, when shares in Aberdeen Japan Investment Trust are held in the name of nominee companies and notification has been received in advance, nominee companies will be provided with copies of shareholder communications for distribution to their customers. Nominee investors may attend and speak at general meetings.

## Statement of Corporate Governance continued

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Participants in the Manager's Share Plan and ISA, whose shares are held in the nominee names of the plan administrator, are given the opportunity to vote by means of a Letter of Direction enclosed with the Annual Report. The Letter of Direction is forwarded to the administrator of the Share Plan and ISA, who will complete a proxy on behalf of the participants and forward it to the Company's registrars for inclusion in the voting figures.

As recommended best practice under the Governance Code, the Annual Report is normally posted to shareholders at least twenty business days before the AGM.

The Notice of Meeting sets out the business of the meeting and the resolutions are explained more fully in the Directors' Report. Separate resolutions are proposed for each substantive issue.

The Board is conscious that the AGM is an event at which all shareholders are encouraged to attend and participate. The Manager makes a presentation to the meeting outlining the key investment issues that affect the Company. All shareholders have the opportunity to put questions at the AGM. The number of proxy votes is relayed to shareholders at the Annual General Meeting after each resolution has been dealt with on a show of hands and details are available on the Company's website.

Shareholders have direct access to the Company via the Customer Services Department operated by the Manager. The Company also responds to letters from shareholders. Contact details may be found on page 48.

A website from which the Company's reports and other publications can be downloaded is maintained at [www.aberdeenjapan.co.uk](http://www.aberdeenjapan.co.uk).

### Internal Control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. Following publication by the Financial Reporting Council of "Internal Control: Revised Guidance for Directors on the Combined Code" (the FRC Guidance), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this Annual Report and Accounts, and is regularly reviewed by the Board and accords with the FRC Guidance. The Board has reviewed the effectiveness of the system of internal control.

In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed. The

significant risks faced by the Company are financial, operational, and compliance.

The key components designed to provide effective internal control are outlined below:

- the Manager prepares management reports which allow the Board to assess the Company's activities and review its performance;
- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager as appropriate;
- as a matter of course the Manager's compliance department continually reviews the Manager's operations;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place at the Manager, has decided to place reliance on the Manager's systems and internal audit procedures; and
- twice a year the Audit Committee formally carries out an assessment of internal controls by considering documentation from the Manager, including the internal audit and compliance functions and taking account of risk management problems or compliance breaches identified previously, and reports to the Board on its conclusions. At the conclusion of these reviews, the Board decides whether any changes to the system of internal control are required.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against mis-statement and loss.

No significant failings or weaknesses in the Company's process for identifying, evaluating and managing the significant risks faced by the Company were identified during the year under review.

### Alternative Investment Fund Managers Directive

The Alternative Investment Fund Managers Directive (the "AIFMD") creates a European-wide framework for regulating managers of alternative investment funds ("AIF"s). Listed investment companies such as Aberdeen Japan Investment Trust PLC fall within the definition of an AIF and are therefore required to become themselves an AIFM or to appoint a qualified third party as their AIFM. After consideration, the Board has agreed in principle to appoint a



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subsidiary of Aberdeen Asset Management PLC as the Company's AIFM and expects to be able to finalise arrangements prior to the final implementation date of July 2014.

The Board is also currently in the process of finalising the appointment of a depositary as well as revising the investment management agreement, both consequences of implementing the AIFMD and expects to be able to conclude these agreements prior to July 2014. The Company does not expect to incur any ongoing additional charges as a result of these appointments.

### Proxy Voting and Stewardship

The purpose of the FRC's UK Stewardship Code is to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and assist institutional investors with the efficient exercise of their governance responsibilities. The FRC is encouraging institutional investors to make a statement of their commitment to the Code.

The Board has delegated responsibility for actively monitoring the activities of portfolio companies to the Manager. The Board has reviewed and accepts the Manager's Corporate Governance Principles, which may be found on the Manager's website, at <http://www.aberdeen-asset.com/aam.nsf/AboutUs/governancestewardship>. These Principles set out the Manager's framework on corporate governance, proxy voting and shareholder engagement in relation to the companies in which the Manager has invested or is considering investing. The Board has also reviewed the Manager's Disclosure Response to the UK Stewardship Code, which appears on the Manager's website, at the web-address given above.

The Manager is responsible for reviewing, on a regular basis, the annual reports, circulars and other publications produced by the portfolio company and for attending company meetings. The Manager, in the absence of explicit instruction from the Board, is empowered to use discretion in the exercise of the Company's voting rights.

The Board recognises and supports the Manager's policy of active engagement with investee companies and the voting of all of the shares held by the Company. The Board receives from the Manager regular reports on the exercise by the Manager of the Company's voting rights and discusses with the Manager any issues arising. It is the Board's view that having an active voting policy and a process for the monitoring by the Board of the Manager's exercise of those votes, especially in relation to controversial issues, aids the efficient exercise of the Company's governance responsibilities.

### Corporate Responsible Investment

The Board is aware of its duty to act in the interests of the Company. The Board acknowledges that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner. The Manager considers social, environmental and ethical factors which may affect the performance or value of the Company's investments. The Directors, through the Company's Manager, encourage companies in which investments are made to adhere to best practice in the area of corporate governance. They believe that this can best be achieved by dialogue with company management to encourage them, where necessary, to improve their policies in this area. The Company's ultimate objective is to deliver superior investment return for their clients and, whilst best practice in the above areas is a factor which the Manager considers when selecting stocks in which to invest, this must not override the importance of the return on the investment portfolio.

Approved by the Board and signed on its behalf

#### Aberdeen Asset Management PLC

##### Secretary

Bow Bells House  
1 Bread Street  
London, EC4M 9HH

23 May 2014

# Directors' Remuneration Report

The Board has prepared this Remuneration Report in accordance with the new regulations governing the disclosure and approval of Directors' remuneration. This Remuneration Report comprises two parts:

- (i) Remuneration Policy, which will be subject to a binding shareholder vote to be put to the members at the forthcoming AGM in the first instance and then every three years thereafter. Should the Remuneration Policy be varied during this interval, then Shareholder approval for the new Remuneration Policy will be sought; and
- (ii) An annual implementation report, which provides information on how the Remuneration policy has been applied during the year and will be subject to an advisory vote.

The law requires the Company's auditor to audit certain of the disclosures provided in the Remuneration Report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the report on pages 27 to 28.

The fact that the Remuneration Policy will now be subject to a binding vote does not imply any change on the part of the Company. The principles remain the same as for previous years. There have been no changes to the Directors' Remuneration Policy during the period of this Report nor are there any proposals for the foreseeable future, except for the Directors' fees, as set out in the Implementation Report below.

## Remuneration Policy

This part of the Remuneration Report provides details of the Company's Remuneration Policy for Directors of the Company. This policy takes into consideration the principles of UK Corporate Governance and the AIC's recommendations regarding the application of those principles to investment companies. Directors' remuneration is determined by the Remuneration Committee which comprises all Directors of the Company.

### Directors' fees

The Directors are non-executive and their fees are set within the limits of the Company's articles of association which limit the aggregate fees payable to the Board of Directors per annum, currently £100,000. The level of cap may be increased by shareholder resolution from time to time. Subject to this overall limit, the Board's policy is that the remuneration of non-executive Directors should reflect the nature of their duties, responsibilities and the value of their time spent and be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have a similar investment objective. No shareholder views were sought in setting the remuneration

policy although any comments received from shareholders would be considered on an on-going basis.

Fee rates are established by taking advice from external sources as to current market levels.

	1 April 2014 £	1 April 2013 £
Chairman	24,000	23,000
Chairman of Audit Committee	19,000	18,000
Director	17,500	16,500

### Appointment

- The Company only intends to appoint non-executive Directors.
- All the Directors are non-executive appointed under the terms of Letters of Appointment.
- Directors must retire and be subject to re-election at the first AGM after their appointment, and at least every three years thereafter.
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment (currently £17,500).
- No incentive or introductory fees will be paid to encourage a Directorship.
- The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- The Company indemnifies its Directors for costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties, as a Director of the Company.

### Performance, Service Contracts, Compensation and Loss of Office

- The Directors' remuneration is not subject to any performance related fee.
- No Director has a service contract.
- No Director was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed without notice.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or any assets of the Company.

Directors' & Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

It is intended that, if approved, the Remuneration Policy will take effect at the conclusion of the AGM on 15 July 2014.

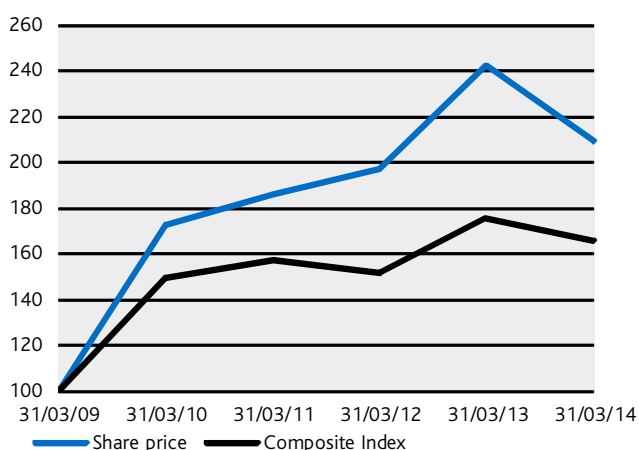
## Implementation Report

### Directors' Fees Increase

During the financial year the Board carried out a review of the level of Directors' fees and concluded that the amounts should increase to £24,000 for the Chairman, £19,000 for the Audit Committee Chairman and £17,500 for each Director, effective from 1 April 2014. There are no further fees to disclose as the Company has no employees, Chief Executive or Executive Directors.

### Company Performance

During the year the Board carried out a review of investment performance. The graph below shows the share price and NAV total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total return from a composite index, in Sterling terms, consisting of the MSCI All Countries Asia Pacific (including Japan) Index up to 7 October 2013 and the TOPIX Index, thereafter for the five year period to 31 March 2014 (rebased to 100 at 31 March 2009). This index was chosen for comparison purposes, as it is the reference index used for investment performance measurement purposes.



### Statement of Voting at General Meeting

At the Company's last AGM, held on 23 July 2013, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 March 2013. 99.7% of votes were in favour of the resolution, 0.2% were against, and 0.1% abstained.

### Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders. The total fees paid to Directors are shown below.

### Audited Information

#### Fees Payable

The Directors who served in the year received the following fees which exclude employers' NI and any VAT payable:

Director	2014 £	2013 £	2012 £
Neil Gaskell	23,000	22,000	22,000
Karen Brade	15,125	-	-
Sir Andrew Burns	16,500	15,500	15,500
Robert Jenkins	12,375	15,500	15,500
Kevin Pakenham	18,000	17,000	17,000
<b>Total</b>	<b>85,000</b>	<b>70,000</b>	<b>70,000</b>

This represents the entire remuneration paid to the Directors. Fees are pro-rated where a change takes place during a financial year. No fees were paid to third parties.

### Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company.

The Directors (including their connected persons) at 31 March 2014 and 31 March 2013 had no interest in the share capital of the Company other than those interests, all of which are beneficial interests, shown in the table below.

	31 March 2014 Ord 25p	31 March 2013 Ord 25p
Neil Gaskell	12,500	12,500
Karen Brade	1,400	n/a
Sir Andrew Burns	2,754	2,692
Robert Jenkins	Nil <sup>1</sup>	5,000
Kevin Pakenham	11,042	10,996

<sup>1</sup> Holding at date of resignation on 31 December 2013

### Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Policy and Remuneration Implementation summarises, as applicable, for the year to 31 March 2014:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and
- the context in which the changes occurred and in which decisions have been taken.

The Directors' Remuneration Report was approved by the Board of Directors on 23 May 2014 and signed on its behalf by:

**Neil Gaskell**  
Chairman

# Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- that in the opinion of the Directors, the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's performance, business model and strategy; and
- the Strategic Report and Directors' Report include 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 the Company faces.

For and on behalf of Aberdeen Japan Investment Trust PLC

**Neil Gaskell**  
**Chairman**

23 May 2014

# Independent Auditor's Report to the Members of Aberdeen Japan Investment Trust PLC

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We have audited the financial statements of Aberdeen Japan Investment Trust plc for the year ended 31 March 2014 which comprise the Income Statement, the Balance sheet, the Reconciliation of Movements in Shareholders' Funds, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

## Respective responsibilities of Directors and auditor

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

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## Auditor Commentary

### An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers.

Accordingly, our audit work is focused on obtaining an understanding of, and evaluating, internal controls at the Company and relevant third-party service providers. This included a review of reports on the description, design and operating effectiveness of internal controls at the relevant third-party service providers. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the design effectiveness of controls over individual systems and the management of specific risks.

## Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information, would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality which we use to determine the extent of testing needed 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.

We established materiality for the financial statements as a whole to be £611,000, which is 1% of the Company's total assets. For the revenue column of the income statement, we determined that misstatements for a lesser amount than materiality for the financial statements as a whole would make it probable that the judgement of a reasonable person, relying on the information, would have been changed or influenced by the misstatement or omission. Accordingly, we established materiality for the income statement to be £153,000.

We have determined the threshold at which we communicate misstatements to the Audit Committee to be £31,000. In addition, we communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

## Our assessment of risk

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, balances or disclosures.

## Existence and valuation of quoted investments

The Company's business is investing in financial assets with a view to profit from the total return in the form of revenue and capital gains. Accordingly, the investment portfolio totalling £59,796,000 is a significant and material item in the Balance Sheet. The recognition and measurement of the investment portfolio is therefore a risk that requires particular audit attention.

Our audit work included, but was not restricted to obtaining an understanding of management's process to recognise and measure the investment portfolio including ownership of those securities. We obtained confirmation of investments held at the year-end directly from the independent custodian, tested the reconciliation of the custodian records to the records maintained by the Company's administrator, and tested a selection of investment additions and disposals

# Independent Auditor's Report to the Members of Aberdeen Japan Investment Trust PLC continued

shown in the Company's records to supporting documentation. We agreed the valuation of quoted investments to an independent source of market prices.

The Company's accounting policies on the valuation of investments are included in Note 1 and the disclosures about investments at year end are included in Note 9.

## Recognition of income from investments

Investment income is the Company's major source of revenue. According to the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', revenue should be recognised when the Company's right to the income is established, in line with the Company's stated accounting policy. We identified the recognition of revenue from the investment portfolio as a risk that requires particular audit attention.

Our audit work included, but was not restricted to, assessing whether the Company's accounting policy conforms with United Kingdom Generally Accepted Accounting Practice, testing the income recognised in accordance with that policy, and selecting a sample of investments held in the period to determine whether the dividend payments made by investee companies during the year had been recognised appropriately, including an assessment of whether any dividends should have been treated as capital receipts. We also selected a sample of dividends recognised to ensure the validity of these.

The Company's accounting policy on the recognition of income from investments is included in Note 1 and the components of that revenue are included in Note 2.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Other reporting responsibilities

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

*Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:*

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable, and whether the Annual Report appropriately discloses those matters that were communicated to the audit committee which we consider should have been disclosed.

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

- adequate accounting records have not been kept, 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.

*Under the Listing Rules, we are required to review:*

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

**Julian Bartlett**

**Senior Statutory Auditor**

**for and on behalf of Grant Thornton UK LLP**

Statutory Auditor, Chartered Accountants

London

23 May 2014

## Income Statement

	Notes	Year ended 31 March 2014			Year ended 31 March 2013		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	9	–	(8,876)	(8,876)	–	8,072	8,072
Income	2	1,710	–	1,710	1,604	–	1,604
Exchange gains/(losses)	13	–	3,698	3,698	–	(161)	(161)
Investment management fee	3	(227)	(162)	(389)	(446)	–	(446)
Performance fee	3	–	–	–	–	(43)	(43)
Administrative expenses	4	(466)	(19)	(485)	(292)	(10)	(302)
<b>Net return before finance costs and taxation</b>		<b>1,017</b>	<b>(5,359)</b>	<b>(4,342)</b>	<b>866</b>	<b>7,858</b>	<b>8,724</b>
Finance costs	5	(55)	(27)	(82)	(109)	–	(109)
<b>Net return on ordinary activities before taxation</b>		<b>962</b>	<b>(5,386)</b>	<b>(4,424)</b>	<b>757</b>	<b>7,858</b>	<b>8,615</b>
Taxation on ordinary activities	6	(87)	–	(87)	(9)	–	(9)
<b>Net return on ordinary activities after taxation</b>		<b>875</b>	<b>(5,386)</b>	<b>(4,511)</b>	<b>748</b>	<b>7,858</b>	<b>8,606</b>
<b>Return per ordinary share (pence)</b>	<b>8</b>	<b>6.00</b>	<b>(36.91)</b>	<b>(30.91)</b>	<b>5.13</b>	<b>53.85</b>	<b>58.98</b>

The total column of this statement represents the profit and loss account of the Company.

No Statement of Total Recognised Gains and Losses has been prepared as all gains and losses have been reflected in the Income Statement.

All revenue and capital items in the above statement derive from continuing operations.

The accompanying notes are an integral part of the financial statements.

## Balance Sheet

	Notes	As at 31 March 2014 £'000	As at 31 March 2013 £'000
<b>Fixed assets</b>			
Investments designated at fair value through profit or loss	9	59,796	65,800
<b>Current assets</b>			
Debtors	10	840	363
Cash at bank and in hand		473	513
		1,313	876
<b>Creditors: amounts falling due within one year</b>			
Foreign currency bank loans	11	(5,824)	(6,095)
Other creditors		(137)	(229)
		(5,961)	(6,324)
<b>Net current liabilities</b>		<b>(4,648)</b>	<b>(5,448)</b>
<b>Net assets</b>		<b>55,148</b>	<b>60,352</b>
<b>Share capital and reserves</b>			
Called-up share capital	12	1,459	1,459
Capital redemption reserve		2,273	2,273
Capital reserve	13	49,745	55,131
Revenue reserve		1,671	1,489
<b>Equity shareholders' funds</b>		<b>55,148</b>	<b>60,352</b>
<b>Net asset value per ordinary share (pence)</b>	14	<b>377.94</b>	<b>413.61</b>

The financial statements were approved and authorised for issue by the Board of Directors on 23 May 2014 and were signed on its behalf by :

Neil Gaskell  
Chairman

The accompanying notes are an integral part of the financial statements.



## Reconciliation of Movements in Shareholders' Funds

For the year ended 31 March 2014

	Share capital £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 March 2013	1,459	2,273	55,131	1,489	60,352
Return on ordinary activities after taxation	–	–	(5,386)	875	(4,511)
Dividend paid (note 7)	–	–	–	(693)	(693)
<b>Balance at 31 March 2014</b>	<b>1,459</b>	<b>2,273</b>	<b>49,745</b>	<b>1,671</b>	<b>55,148</b>

For the year ended 31 March 2013

	Share capital £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 March 2012	1,529	2,203	47,273	1,434	52,439
Treasury shares cancelled	(70)	70	–	–	–
Return on ordinary activities after taxation	–	–	7,858	748	8,606
Dividend paid (note 7)	–	–	–	(693)	(693)
<b>Balance at 31 March 2013</b>	<b>1,459</b>	<b>2,273</b>	<b>55,131</b>	<b>1,489</b>	<b>60,352</b>

# Cash Flow Statement

	Notes	Year ended 31 March 2014		Year ended 31 March 2013	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	15		524		474
<b>Servicing of finance</b>					
Bank and loan interest paid			(82)		(109)
<b>Financial investment</b>					
Purchases of investments		(50,910)		(3,552)	
Sales of investments		48,055		3,804	
Expenses allocated to capital		(5)		(2)	
<b>Net cash (outflow)/inflow from financial investment</b>			(2,860)		250
<b>Equity dividends paid</b>			(693)		(693)
<b>Net cash outflow before financing</b>			(3,111)		(78)
<b>Financing</b>					
Loan repaid		(571)		(302)	
<b>Net cash outflow from financing</b>			(571)		(302)
<b>Decrease in cash</b>	16		(3,682)		(380)
<b>Reconciliation of net cash flow to movements in net debt</b>					
Decrease in cash as above			(3,682)		(380)
Decrease in borrowings			571		302
<b>Change in net debt resulting from cash flows</b>			(3,111)		(78)
Exchange movements			3,342		(161)
<b>Movement in net debt in the year</b>			231		(239)
Opening net debt			(5,582)		(5,343)
<b>Closing net debt</b>	16		(5,351)		(5,582)

The accompanying notes are an integral part of the financial statements.

## 1. Accounting policies

### (a) Basis of accounting and going concern

The financial statements have been prepared under the historical cost convention, except for the measurement at fair value of investments and in accordance with the applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies in January 2009. They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis. The Directors believe this is appropriate for the reasons outlined in the Directors' Report on page 18.

### (b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the Company designates the investments 'at fair value through profit or loss'. Fair value is taken to be the investment's cost at the trade date (excluding expenses incidental to the acquisition which are written off in the Income Statement, and allocated to 'capital' at the time of acquisition).

Subsequent to initial recognition, investments continue to be designated at fair value through profit or loss, which is deemed to be bid prices, where the bid price is available, or otherwise at fair value based on published price quotations.

### (c) Income

Dividends (other than special dividends), including taxes deducted at source, are included in revenue by reference to the date on which the investment is quoted ex-dividend. Special dividends are reviewed on a case-by-case basis and may be credited to capital, if circumstances dictate. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves. Interest receivable on bank balances is dealt with on an accruals basis.

Where applicable the dividend income is disclosed net of irrecoverable taxes deducted at source. UK dividend income is recorded net of tax credits.

### (d) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated to revenue in the Income Statement except as follows:

- expenses which are incidental to the acquisition or disposal of an investment are allocated to capital in the Income Statement and separately identified and disclosed in note 9; and
- expenses are allocated and borne by capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect, the investment management fee (with effect from 7 October 2013) is allocated 40% to revenue and 60% to realised capital reserves to reflect the Company's investment policy and prospective income and capital growth. Previously the investment management fee was charged 100% to revenue. The performance fee, which is no longer payable, was charged 100% to capital.

### (e) Taxation

The charge for taxation is based on the revenue return for the financial period.

## Notes to the Financial Statements *continued*

### Deferred taxation

Deferred taxation is provided on all timing differences, that have originated but not reversed at the Balance Sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the Balance Sheet date, measured on an undiscounted basis and based on tax rates expected to apply in the period that the timing differences reverse. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods. Due to the Company's status as an investment trust company, and the intention to continue to meet the conditions required to obtain approval for the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

### (f) Capital reserve

Gains and losses on realisation of investments and changes in fair values of investments are transferred to the capital reserve.

### (g) Foreign currencies

Transactions involving foreign currencies are converted at the rate ruling at the date of the transaction.

Foreign currency asset and liability balances are translated to Sterling at the middle rate of exchange at the year end. Differences arising from translation are treated as capital gain or loss to capital or revenue within the Income Statement depending upon the nature of the gain or loss.

### (h) Dividends payable

Final dividends are recognised in the financial statements in the period in which they are paid.

### (i) Borrowings

All secured borrowings are initially recognised at cost, being the fair value of the consideration received, less issue costs where applicable, after initial recognition, all interest bearing borrowings are subsequently measured at amortised cost. The finance costs of such borrowings are accounted for on an accruals basis using the effective interest rate method and (with effect from 7 October 2013) are charged 40% to revenue and 60% to realised capital reserves to reflect the Company's investment policy and prospective income and capital growth. Previously the finance costs were charged 100% to revenue.

	2014 £'000	2013 £'000
<b>2. Income</b>		
<b>From investments designated at fair value through profit and loss:</b>		
UK dividend income	97	253
Overseas dividends	1,582	1,351
Scrip dividends	31	–
<b>Total income</b>	<b>1,710</b>	<b>1,604</b>

	Revenue £'000	2014 Capital £'000	Total £'000	Revenue £'000	2013 Capital £'000	Total £'000
<b>3. Investment management fee</b>						
Investment management fee	227	162	389	446	–	446
Performance fee	–	–	–	–	43	43
<b>Total</b>	<b>227</b>	<b>162</b>	<b>389</b>	<b>446</b>	<b>43</b>	<b>489</b>

As of 7 October 2013, the management fee is payable at a rate of 0.95% per annum of the value of the Company's Total

Assets up to £50 million decreasing to 0.75% of the value of the Company's assets over and above £50 million, and is payable monthly in arrears. Previously, the management fee was payable monthly in arrears and was based on an annual amount of 0.75% of Total Assets of the Company valued monthly. The agreement is terminable on six months' notice. The balance due to AAM Asia at the year end was £46,000 (2013 – £83,000). The Manager waived management fees amounting to £127,000 during the year as part of an agreement with the Company in relation to costs associated with the change in investment mandate.

As of 7 October 2013, the performance fee will no longer be payable. Previously, AAM Asia was entitled to a performance related fee of up to 15% of the portfolio's outperformance of the MSCI AC Asia Pacific (including Japan) Index (in Sterling terms) for the year in question.

In the event that the Company outperformed this benchmark, but the year end net asset value per ordinary share was less than at the previous year end, the performance fee was capped at 0.3% of year end net asset value. The performance fee was only payable where the final net asset value on which the fee was calculated exceeded the net asset value (adjusted by any change in the benchmark index over the period) on which the last performance fee was paid.

There was no performance fee due to AAM Asia for the year ended 31 March 2014 (2013 – £43,000).

4. Administrative expenses	2014			2013		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investor relations/Marketing initiative	42	–	42	40	–	40
Directors' fees	85	–	85	70	–	70
Safe custody fees	16	5	21	23	2	25
Transaction costs on investment purchases	–	14	14	–	8	8
Auditors' remuneration:						
• audit of the financial statements <sup>A</sup>	23	–	23	20	–	20
• non-audit services <sup>B</sup>	28	–	28	–	–	–
Other <sup>C</sup>	272	–	272	139	–	139
	<b>466</b>	<b>19</b>	<b>485</b>	<b>292</b>	<b>10</b>	<b>302</b>

<sup>A</sup> Includes work carried out on the Strategic Report, Directors' Remuneration Report, Statement of Corporate Governance and Directors' Report.

<sup>B</sup> Work performed as Reporting Accountant relating to the change in investment mandate.

<sup>C</sup> Includes £177,000 of costs relating to the change in investment mandate. The Manager waived management fees amounting to £127,000 during the year as part of an agreement with the Company in relation to these costs (see note 3).

The Company has an agreement with Aberdeen Asset Managers Limited ("AAM") for the provision of marketing services in relation to the Company's participation in the Aberdeen Investment Trust Share Plan and ISA. The total fees paid and payable under the agreement were £42,000 (2013 – £40,000) and the accrual to AAM at the year end was £11,000 (2013 – £10,000).

No pension contributions were made in respect of any of the Directors.

The Company does not have any employees.

5. Finance costs	2014			2013		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Bank loans and overdrafts	55	27	82	109	–	109

## Notes to the Financial Statements *continued*

6. Taxation on ordinary activities	Revenue	2014	Total	Revenue	2013	Total
	£'000	Capital	£'000	£'000	Capital	£'000
(a) Analysis of charge for the year						
Irrecoverable overseas taxation	107	–	107	74	–	74
Overseas withholding tax reclaimable	(20)	–	(20)	(65)	–	(65)
<b>Current taxation</b>	<b>87</b>	<b>–</b>	<b>87</b>	<b>9</b>	<b>–</b>	<b>9</b>

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences can be explained below:

	2014	2013
	£'000	£'000
Net return on ordinary activities before taxation	(4,424)	8,615
Net return on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2013 – 24%)	(1,018)	2,068
Effects of:		
UK dividend income	(22)	(61)
Losses/(gains) on investments not taxable	2,041	(1,937)
Currency (gains)/losses not taxable	(850)	39
Tax on capital expenses	48	13
Irrecoverable overseas withholding tax suffered	107	74
Overseas withholding tax reclaimable	(20)	(65)
Excess management expenses and loan relationship deficits not utilised in period	148	202
Non-taxable overseas dividends	(371)	(324)
Expenses not deductible for tax purposes	24	–
<b>Current tax charge for the year</b>	<b>87</b>	<b>9</b>

(c) Provision for deferred taxation

At 31 March 2014 the Company had surplus management expenses and loan relationship debits with a tax value of £1,304,000 (2013 – £1,307,000) in respect of which a deferred tax asset has not been recognised. This is because the Company is not expected to generate taxable income in the future in excess of deductible expenses of that future period, and accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses.

7. Dividends	2014	2013
	£'000	£'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend 2013 – 4.75p (2012 – 4.75p)	693	693

In order to comply with the requirements of Sections 1158-1159 of the Corporation Tax Act 2010 the Company is required to make a final dividend distribution.

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability.

The table below sets out the total dividends proposed in respect of the financial year, which is the basis on which the requirements of Sections 1158 – 1159 are considered. The revenue available for distribution by way of dividend for the year is £1,671,000 (2013 – £1,489,000). Presently, only the revenue reserve can be used for the distribution of dividends.

	2014 £'000	2013 £'000
Proposed final dividend for 2014 – 4.50p per ordinary share (2013 – 4.75p)	657	693

The proposed final dividend will be paid, subject to approval at the Annual General Meeting, on 18 July 2014 to shareholders on the register at the close of business on 20 June 2014.

8. Return per ordinary share	2014 p	2014 £'000	2013 p	2013 £'000
Returns per share are based on the following figures:				
Revenue return	6.00	875	5.13	748
Capital return	(36.91)	(5,386)	53.85	7,858
<b>Total return</b>	<b>(30.91)</b>	<b>(4,511)</b>	<b>58.98</b>	<b>8,606</b>
<b>Weighted average number of ordinary shares in issue</b>		<b>14,591,572</b>		<b>14,591,572</b>

9. Investments designated at fair value through profit or loss	Listed overseas £'000	Listed in UK £'000	Total £'000
Opening book cost	38,192	4,319	42,511
Opening investment holding gains	22,324	965	23,289
<b>Opening fair value</b>	<b>60,516</b>	<b>5,284</b>	<b>65,800</b>
Movements in the year:			
Purchases at cost (excluding transaction costs)	50,797	130	50,927
Sales – proceeds (net of transaction costs)	(43,153)	(4,902)	(48,055)
Sales – gains on sales	14,678	453	15,131
Decrease in investment holding gains	(23,042)	(965)	(24,007)
<b>Closing fair value</b>	<b>59,796</b>	<b>–</b>	<b>59,796</b>
	Listed overseas £'000	Listed in UK £'000	Total £'000
Closing book cost	60,514	–	60,514
Closing investment holding losses	(718)	–	(718)
	<b>59,796</b>	<b>–</b>	<b>59,796</b>

	2014 £'000	2013 £'000
Investments listed on a recognised investment exchange	59,796	65,800

(Losses)/gains on investments	2014 £'000	2013 £'000
Gains on sales	15,131	1,317
(Decrease)/increase in investment holding gains	(24,007)	6,755
	<b>(8,876)</b>	<b>8,072</b>

#### Transaction costs

During the year expenses were incurred in acquiring or disposing of investments designated as fair value through profit or loss. Expenses incurred in acquiring investments have been expensed through capital and are included within

## Notes to the Financial Statements continued

administration expenses in the Income Statement, whilst expenses incurred in disposing of investments have been expensed through capital and are included within gains on investments in the Income Statement. The total costs were as follows:

	2014 £'000	2013 £'000
Purchases	14	8
Sales	60	11
	<b>74</b>	<b>19</b>

10. Debtors: amounts falling due within one year	2014 £'000	2013 £'000
Forward contracts	356	–
Prepayments and accrued income	433	295
Withholding tax debtor	49	66
Other loans and receivables	2	2
	<b>840</b>	<b>363</b>

All financial assets are included at amortised cost or at fair value for forward contracts.

11. Creditors: amounts falling due within one year	2014 £'000	2013 £'000
(a) Foreign currency bank loans	5,824	6,095

In January 2011, the Company entered into a two year £10,000,000 multi-currency revolving credit facility with Standard Chartered Bank, which was extended in January 2014 until 25 January 2015. At the year end, JPY1,000,000,000 (2013 – JPY170,622,000; USD7,440,000) equivalent to £5,824,000 (2013 – £1,195,000; £4,900,000) had been drawn down from Standard Chartered Bank at an all-in interest rate of 1.10214% (2013 – 1.12429%; 1.20420%) which matured on 24 April 2014.

On 24 April 2014, the principal amount of the loan was rolled forward into a loan of JPY1,000,000,000 at an all-in interest rate of 1.10143%, until maturity on 26 May 2014.

The terms of the loan facility with Standard Chartered Bank contain a covenant that total borrowings should not exceed 25% of the net asset value of the Company at any time and that the net asset value should not fall below £30,000,000 at any time. The Company met this covenant throughout the period.

(b) Other creditors and accrued expenses	2014 £'000	2013 £'000
Performance fee	–	43
Other creditors	137	186
	<b>137</b>	<b>229</b>

12. Called-up share capital	2014		2013	
	Number	£'000	Number	£'000
Allotted, called-up and fully paid				
Ordinary shares of 10p each	14,591,572	1,459	14,591,572	1,459



	2014 £'000	2013 £'000
<b>13. Capital reserve</b>		
At 1 April 2013	55,131	47,273
Gains over cost arising on movement in investment holdings	(24,007)	6,755
Gains on realisation of investments at fair value	15,131	1,317
Exchange gains/(losses)	3,698	(161)
Performance fee	–	(43)
Administrative expenses	(19)	(10)
Management fee	(162)	–
Finance costs	(27)	–
<b>At 31 March 2014</b>	<b>49,745</b>	<b>55,131</b>

The capital reserve includes investment holding losses amounting to £718,000 (2013 – gains of £23,289,000) as disclosed in note 9.

#### 14. Net asset value per share

The net asset value per share and the net asset values attributable to ordinary shareholders at the year end calculated in accordance with the articles of Association were as follows:

	Net asset value per share		Net asset values attributable	
	2014 p	2013 p	2014 £'000	2013 £'000
Ordinary shares	377.94	413.61	55,148	60,352

The movements during the year of the assets attributable to the ordinary shares were as follows:

	2014 £'000	2013 £'000
Net assets attributable at 1 April	60,352	52,439
Capital return for the year	(5,386)	7,858
Revenue on ordinary activities after taxation	875	748
Dividend paid	(693)	(693)
<b>Net assets attributable at 31 March</b>	<b>55,148</b>	<b>60,352</b>

The net asset value per ordinary share is based on net assets, and on 14,591,572 (2013 – 14,591,572) ordinary shares, being the number of ordinary shares in issue at the year end.

## Notes to the Financial Statements *continued*

15. Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities	2014 £'000	2013 £'000
Return on ordinary activities before finance costs and taxation	(4,342)	8,724
Adjustments for:		
Losses/(gains) on investments	8,876	(8,072)
Expenses taken to capital reserve	19	10
Foreign exchange movements	(3,698)	161
(Increase)/decrease in accrued income	(138)	11
Decrease/(increase) in other debtors	17	(64)
(Decrease)/increase in other creditors	(49)	96
Decrease in performance fee creditor	(43)	(383)
Overseas withholding tax suffered	(87)	(9)
Scrip dividends included in investment income	(31)	–
<b>Net cash inflow from operating activities</b>	<b>524</b>	<b>474</b>

16. Analysis of changes in net debt	1 April 2013 £'000	Cash flow £'000	Exchange movements £'000	31 March 2014 £'000
Cash at bank	513	(3,682)	3,642	473
Debts falling due within one year	(6,095)	571	(300)	(5,824)
<b>Net debt</b>	<b>(5,582)</b>	<b>(3,111)</b>	<b>3,342</b>	<b>(5,351)</b>

### 17. Financial instruments

#### Risk management

The Company's financial instruments comprise securities and other investments, cash balances, loans, forward exchange contracts and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income.

The main financial risks that the Company faces from its financial instruments are market price risk, interest rate risk, liquidity risk and credit risk.

The Board has established policies for managing each of these risks and reviews regularly their implementation by the Manager. The Company's policies for managing these risks are summarised below and have been applied throughout the year.

#### Market price risk

The fair value of, or future cash flows from, a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises two elements – security price risk and currency risk.

#### Security price risk

Changes in market prices for the Company's portfolio of securities directly affect their reported value in the Balance Sheet.

It is the Board's investment policy for the Company's assets to be invested in a selected portfolio of securities in quoted companies as explained on page 6. The Manager has a dedicated investment management process, which ensures that the risk inherent in this investment policy is controlled. Underlying the process is the belief that risk is not that individual stock prices fluctuate in the short term, or that movement in the value of the portfolio deviates from the benchmark but that risk is investment in poorly managed expensive companies which the Manager does not understand. In-depth research and stock selection procedures are in place based on this risk control philosophy. The portfolio is reviewed on a

periodic basis by the Manager's Investment Committee and by the Board.

### Security price sensitivity

If market prices at the Balance Sheet date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders for the year ended 31 March 2014 would have increased/(decreased) by £5,980,000 (2013 increased/(decreased) by £6,580,000) and equity reserves would have increased/(decreased) by the same amount.

### Foreign currency risk

The Company primarily invests in the shares of companies which are listed in Japan but can include companies listed on other stockmarkets which earn significant revenue from trading in Japan or hold net assets predominantly in Japan. The Balance Sheet, therefore, can be significantly affected by movements in foreign exchange rates. The Company may, from time to time, match specific overseas investment with foreign currency borrowings. The Company's borrowings, as detailed in note 11, are also in foreign currency.

The Company seeks to ensure that the Company's Yen net exposure is appropriately Sterling-hedged through the use of rolling forward currency contracts. At 31 March 2014 the Company had a foreign currency contract, details of which are disclosed on page 42. During the year a net gain of £2,271,000 (2013 – £nil) was realised from the use of such contracts.

The revenue account is subject to currency fluctuation arising on dividends paid in foreign currencies. The Company does not hedge this currency risk.

Foreign currency risk exposure by currency of denomination:

	31 March 2014			31 March 2013		
	Overseas investments <sup>A</sup> £'000	Net monetary assets £'000	Total currency exposure £'000	Overseas investments £'000	Net monetary assets £'000	Total currency exposure £'000
Australian Dollar	–	–	–	3,071	9	3,080
Hong Kong Dollar	–	–	–	11,191	–	11,191
Indian Rupee	–	–	–	4,895	–	4,895
Indonesian Rupiah	–	–	–	496	1	497
Japanese Yen	30,796	(5,532)	25,264	15,207	(1,195)	14,012
Korean Won	–	–	–	2,377	–	2,377
Malaysian Ringgit	–	–	–	1,061	–	1,061
Philippine Peso	–	–	–	2,025	–	2,025
Singapore Dollar	–	–	–	10,828	–	10,828
Sri Lanka Rupee	–	–	–	834	–	834
Taiwan Dollar	–	49	49	2,799	72	2,871
Thailand Baht	–	–	–	2,349	–	2,349
US Dollar	–	–	–	3,383	(4,894)	(1,511)
<b>Total</b>	<b>30,796</b>	<b>(5,483)</b>	<b>25,313</b>	<b>60,516</b>	<b>(6,007)</b>	<b>54,509</b>

<sup>A</sup> Overseas investment is stated net of forward currency contracts with a net Sterling equivalent amount of £29,000,000.

### Foreign currency sensitivity

The following table details the Company's sensitivity to a 10% increase and decrease in Sterling against the major foreign currencies in which the Company has exposure (based on exposure >5% of total exposure including foreign exchange contracts). The sensitivity analysis includes foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates.

## Notes to the Financial Statements *continued*

	2014 Revenue £'000	2014 Equity £'000	2013 Revenue £'000	2013 Equity £'000
Japanese Yen	72	2,526	31	1,401

<sup>A</sup> Represents equity exposure to relevant currencies.

### Foreign exchange contracts

The following Japanese Yen forward contracts were outstanding at the Balance Sheet date:

Date of contract	Settlement date	Amount JPY '000	Contracted rate	Unrealised gain at 31 March 2014 £'000
14 February 2014	19 May 2014	2,457,605	169.49	177
14 February 2014	21 May 2014	2,457,141	169.46	179
17 February 2014	21 May 2014	2,471,960	170.48	93
17 February 2014	19 May 2014	(2,471,982)	170.48	(93)
				<b>356</b>

The Sterling equivalent of the above contracts is £29,000,000 based on the net amount of JPY 4,914,724,000 at the contracted rates applicable.

### Interest rate risk

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

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.

### Interest rate sensitivity

Movements in interest rates would not significantly affect net assets attributable to the Company's shareholders and total profit.

### Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is not considered to be significant as the Company's assets mainly comprise readily realisable securities which can be sold to meet funding requirements if necessary and short-term flexibility is achieved through the use of loan facilities, details of which may be found in note 11.

### Liquidity risk exposure

At 31 March 2014 and 31 March 2013 the Company's bank loans, amounting to £5,824,000 and £6,095,000, respectively, were both due for repayment or roll-over within six months along with interest due on the amount of the principal at the same time.

### Credit risk

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

The risk is not significant given the relatively small amounts involved, and is managed as follows:

- investment transactions are carried out with a large number of brokers of good quality credit standing; and

- 
- cash is held only with reputable banks with high quality external credit enhancements.

In addition, both stock and cash reconciliations to the Custodians' records are performed on a daily basis to ensure discrepancies are investigated on a timely basis.

None of the Company's financial assets is secured by collateral or other credit enhancements and none are past due or impaired.

#### **Credit risk exposure**

The amount of cash at bank and in hand of £473,000 (2013 – £513,000) and debtors of £840,000 (2013 – £363,000) in the Balance Sheet represent the maximum exposure to credit risk at 31 March.

#### **Fair values of financial assets and financial liabilities**

All financial assets and financial liabilities of the Company are included in the Balance Sheet at fair value.

### **18. Capital management policies and procedures**

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt. The Board normally seeks to limit gearing to 15% of net assets.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes the nature and planned level of gearing, which takes account of the Manager's views on the market and the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period and year end positions are presented in the Balance Sheet.

### **19. Fair value hierarchy**

FRS 29 'Financial Instruments: Disclosures' requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;

**Level 2:** inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (ie as prices) or indirectly (ie derived from prices); and

**Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Company's investments are in quoted equities (2013 – same) actively traded on a recognised stock exchange, with their fair value being determined by reference to their quoted bid prices at the reporting date. The total value of the investments (2014 – £59,796,000; 2013 – £65,800,000) have therefore been deemed as Level 1.

## Information about the Manager

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Aberdeen Asset Management Asia Limited ("AAM Asia") is responsible for the Asian portfolios of all clients managed within Aberdeen Asset Management PLC (the "Aberdeen Group"). AAM Asia is based in Singapore and is a wholly-owned subsidiary and the Asia Pacific headquarters of the Aberdeen Group, a publicly-quoted company on the London Exchange.

Worldwide, the Aberdeen Group manages a combined £324.5 billion (as at 31 March 2014) in assets for a range of clients, including individuals and institutions, through mutual and segregated funds.

AAM Asia have been the Aberdeen Group's principal managers of Asia-Pacific assets since 1992, and had 411 staff in the region at 31 March 2014. Total funds in the region, which are also managed from Sydney, Tokyo, Kuala Lumpur,

Hong Kong and Bangkok, are £64.1 billion as at 31 March 2014.

The Aberdeen Group has its headquarters in Aberdeen with principal offices in Bangkok, Edinburgh, Hong Kong, Kuala Lumpur, Jersey, London, Philadelphia, Singapore, Stockholm, Sydney, Taipei and Tokyo.

The Aberdeen Group manages over 35 investment companies and other closed-ended funds representing £12.4 billion under management. They adhere closely to the Group's investment style which is that of fundamental investors, with an emphasis on company visits and original research.

### The Investment Team Senior Managers



**Hugh Young**

Managing Director

BA in Politics from Exeter University. Started investment career in 1980. In charge of AAM Asia's Far East funds since 1985.



**Chern-Yeh Kwok**

Investment Director

BA in Journalism from the University of Missouri- Columbia and MSc in Finance from the London Business School. Joined AAM Asia in 2005 from MSCI Barra where he was an equity research analyst. Became Head of Japanese equities in January 2011 and is based in Tokyo.



**Flavia Cheong**

Investment Director

Masters in Economics from University of Auckland. Previously with Investment Company of the People's Republic of China and Development Bank of Singapore. Started investment career in 1987. Joined AAM Asia in August 1996.



**Adrian Lim**

Senior Investment Manager

Chartered Financial Analyst, B.Acc from Nanyang Technological University (Singapore). Joined AAM Asia in 2000. Previously he was an associate director at Arthur Andersen advising on mergers & acquisitions in South East Asia.

## The Investment Process

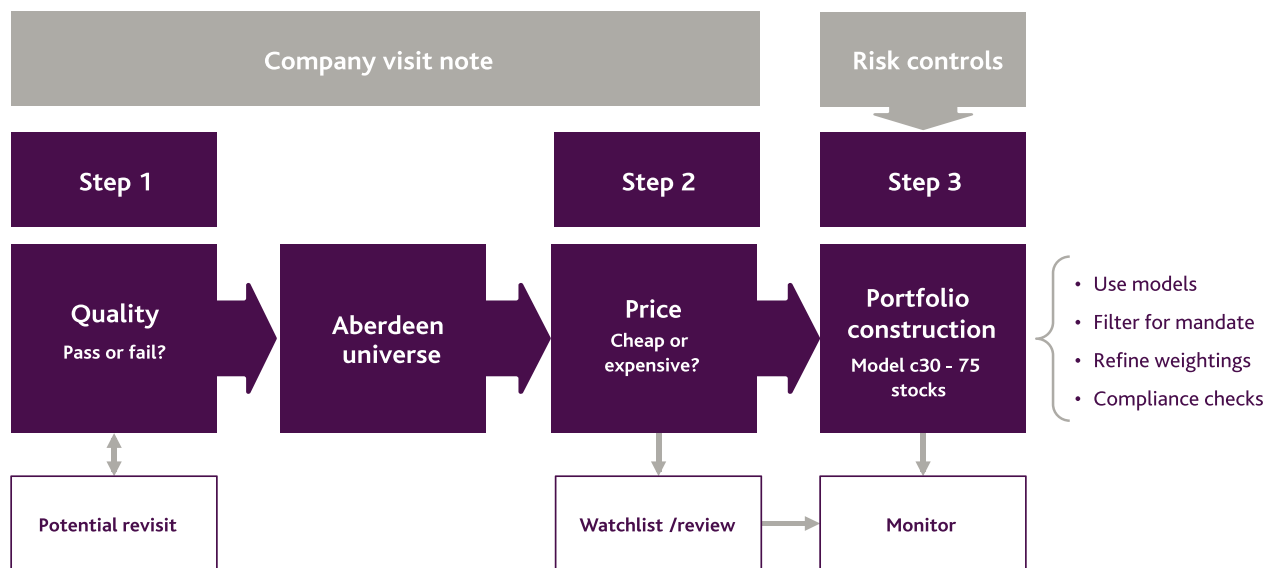
### Philosophy and Style

The Manager's investment philosophy is that markets are not always efficient. We (AAM) believe that superior investment returns are therefore attainable by identifying good companies cheaply, defined in terms of the fundamentals that in our opinion drive share prices over the long term. We undertake substantial due diligence before initiating any investment including company visits in order to assure ourselves of the quality of the prospective investment. We are then careful not to pay too high a price when making the investment. Subsequent to that investment we then keep in close touch with the company, aiming to meet management at least twice a year. Given our long-term fundamental investment philosophy, one would not expect much change in the companies in which we invest. We do, however, take opportunities offered to us by what we see as anomalous price movements within stock markets to either top up or top slice positions, which accounts for the bulk of the activity within the portfolio during the year under review.

### Risk Controls

We seek to minimise risk by our in depth research. We do not view divergence from a benchmark as risk – we view investment in poorly run expensive companies that we do not understand as risk. In fact where risk parameters are expressed in benchmark relative terms, asset – including sector – allocation constitutes a significant constraint on stock selection. Hence diversification of stocks provides our main control.

AAM's performance and investment risk unit independently monitors portfolio positions, and reports monthly. As well as attributing performance it also produces statistical analysis, which is used by the Manager primarily to check the portfolio is behaving as expected, not as a predictive tool



# Marketing and Investor Relations

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Aberdeen Japan Investment Trust PLC contributes to the marketing programme run by Aberdeen Asset Managers Limited ("AAM") on behalf of a number of investment trusts under its management. Under this agreement the Company's contribution is matched by AAM. This contribution is reviewed annually.

The purpose of the Programme is to communicate effectively with existing shareholders and attract new shareholders, thus improving liquidity and thereby enhancing the value and rating of the Company's shares. AAM's experience has also shown that well-targeted marketing of the Company's investment merits through packaged products, whether singly or in conjunction with other investment trusts run by AAM, can be a cost-effective way of gaining new investors.

These aims can be met in several ways:

## Investor Relations Programme

AAM runs an investor relations programme to existing and prospective institutional investors in investment trusts. Each month institutional investors and prospects receive an Investment Manager's report on your Company that includes detailed performance analysis.

## Group Schemes

AAM runs a group Share Plan and ISA. These schemes allow investment free of dealing costs with only nominal exit charges and have proved popular with private investors.

## Direct Response Advertising

The Manager advertises the packaged product availability of the Company in selected national press as well as the specialist financial titles.

## Direct Mail

Periodic mailshots of information packs inviting named addressees to respond is a low-cost method of building awareness and investor databases. Target groups include existing holders of other AAM investment trusts as well as known buyers of investment trusts.

## Newsletter

The 'Bulletin' newsletter, an informed commentary on markets and investment trusts managed by the Aberdeen Group is distributed free of charge.

## Public Relations

AAM undertakes to brief journalists, write regularly through placed articles and ensure Company results and any corporate activity are brought to public attention.

## Shareholder Services

AAM runs an investment help desk for retail enquirers and investors. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately. The Marketing Programme is under the direction of AAM's Group Head of Brand who has extensive experience in the marketing and communication of investment products and is supported by a team of marketing professionals.

## Internet

The AAM Investment Trust website contains details of closed-ended funds and investment companies managed or advised by the Aberdeen Group.

Aberdeen Japan Investment Trust PLC has its own dedicated website at: [www.aberdeenjapan.co.uk](http://www.aberdeenjapan.co.uk). This allows web users to access information on the Company's share price performance, capital structure, stock exchange announcements and monthly reports. The site is continuously being evaluated for improvement.

It is intended that ongoing Programme activities in these various fields, both proactive and supportive, will assist the Company to increase and maintain its shareholder base, improve liquidity and sustain ratings.

The Company is committed to the close monitoring of the Programme. AAM's Group Head of Brand provides a written summary quarterly to the Board.

If you have any questions about your Company, the Manager or performance, please telephone our Customer Services Department on Freephone 0500 00 00 40. Alternatively, internet users may e-mail us on [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com) or write to us at:

Aberdeen Investment Trust Administration  
PO Box 11020  
Chelmsford  
Essex  
CM99 2DB



# How to Invest in Aberdeen Japan Investment Trust PLC

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## How to Invest

Investors can buy and sell shares in Aberdeen Japan Investment Trust PLC directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, shares can be bought directly through Aberdeen's Investment Plan for Children, Aberdeen's Investment Trust Share Plan, Investment Trust ISA or ISA Transfer.

## Suitable for Retail/NMPI Status

The Company's shares are designed for investors primarily in the UK (including retail investors), professional-advised private clients and institutional investors who seek capital growth from investment in Japanese markets and who understand and are willing to accept the risks of exposure to equities. Investors should consider consulting an independent financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs so that securities issued by Aberdeen Japan Investment Trust PLC can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investment products (NMPs) and intends to continue to do so for the foreseeable future.

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

## Aberdeen's Investment Plan for Children

Aberdeen Asset Managers Limited ("AAM") runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management, including Aberdeen Japan Investment Trust PLC. Anyone can invest in the Children's Plan (subject to the eligibility criteria as stated within the terms and conditions), including parents, grandparents and family friends. All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread which can, on some occasions, be a significant amount. Lump sum investments start at £150 per investment trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts.

## Aberdeen's Investment Trust Share Plan

AAM runs a Share Plan (the "Plan") through which shares in Aberdeen Japan Investment Trust PLC can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

## Stocks and Shares ISA

An investment of up to £11,880 can be made from 6 April to 30 June 2014 through the Aberdeen Investment Trust ISA. From 1 July 2014 the annual ISA limit increases to £15,000.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Under current legislation, investments in ISAs can grow free of capital gains tax.

## ISA Transfer

You can choose to transfer previous tax year investments to us, which can be invested in Aberdeen Japan Investment Trust PLC while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per investment trust of £250.

## Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

# How to Invest in Aberdeen Japan Investment Trust PLC continued

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Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs, may be changed by future legislation.

## Investment Trust Information

If investors would like details of Aberdeen Japan Investment Trust PLC or information on the Children's Plan, Share Plan, ISA or ISA Transfer, please telephone 0500 00 00 40 or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB or e-mail at [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com). Details are also available on [www.invtrusts.co.uk](http://www.invtrusts.co.uk).

## Literature Request Service

For literature and application forms for the Manager's investment trust products, please contact:  
Freephone: 0500 00 40 00  
Email: [aam@lit-request.com](mailto:aam@lit-request.com)

## Keeping You Informed

Aberdeen Japan Investment Trust PLC's share price appears daily in the Financial Times.

For internet users, detailed data on Aberdeen Japan Investment Trust PLC, including price, performance information and a monthly factsheet, is available on the Company's website ([www.aberdeenjapan.co.uk](http://www.aberdeenjapan.co.uk)) and the TrustNet website ([www.trustnet.co.uk](http://www.trustnet.co.uk)). Alternatively you can call Freephone 0500 00 00 40 for investment trust information.

## Contact Us

For information on Aberdeen Japan Investment Trust PLC and for any administrative queries relating to the Investment Plan for Children, Share Plan, ISA or ISA Transfer please contact:

Aberdeen Investment Trust Administration  
PO Box 11020  
Chelmsford  
Essex CM99 2DB  
Telephone: 0500 00 00 40

Terms and Conditions for AAM managed savings products can also be found under the Literature section of our website at [www.invtrusts.co.uk](http://www.invtrusts.co.uk).

## Registrars

If you have an administrative query which relates to a direct shareholding, please contact the Company's Registrar, as follows:

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

Tel: 0871 664 0300  
(Calls cost 10p per minute plus network extras. Lines are open 8.30 am–5.30 pm Mon–Fri.)

Tel International: (+44 208 639 3399)

e-mail [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)  
website [www.capitaregistrars.com](http://www.capitaregistrars.com)

## Investor warning

AAM is aware that some investors have received telephone calls from people purporting to work for AAM, or third parties, who have offered to buy their investment trust shares. These may be scams which attempt to gain personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from an investor is required to release the supposed payment for their shares.

These callers do not work for AAM and any third party making such offers has no link with AAM. AAM never makes these types of offers and does not 'cold-call' investors in this way. If investors have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact Aberdeen's investor services centre using the details provided.

*The above information has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by Aberdeen Asset Managers Limited, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.*

# Glossary of Terms and Definitions

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<b>AIFMD</b>	The Alternative Investment Fund Managers Directive
<b>Asset Cover</b>	The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.
<b>Discount</b>	The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.
<b>Dividend Cover</b>	Earnings per share divided by dividends per share expressed as a ratio.
<b>Dividend Yield</b>	The annual dividend expressed as a percentage of the share price.
<b>Net Asset Value</b>	The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.
<b>Net Gearing/(Cash)</b>	Net gearing/(cash) is calculated by dividing total assets (as defined below) less cash or cash equivalents by shareholders' funds expressed as a percentage.
<b>Ongoing Charges (Total Expense Ratio)</b>	Ratio of expenses as percentage of average daily shareholders' funds calculated as per the industry standard method.
<b>Premium</b>	The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.
<b>Price/Earnings Ratio</b>	The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.
<b>Prior Charges</b>	The name given to all borrowings including debentures, loans and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.
<b>Total Assets</b>	Total assets less current liabilities (before deducting prior charges as defined above).
<b>Total Return</b>	Total return involves reinvesting the net dividend in the month that the share price goes ex-dividend. The NAV Total Return involves investing the same net dividend in the NAV of the investment trust on the date to which that dividend was earned, eg quarter end, half year or year end date.
<b>Winding-up Date</b>	The date specified in the articles of association for winding-up a company.

# Notice of Annual General Meeting

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Notice is hereby given that the Annual General Meeting of Aberdeen Japan Investment Trust PLC will be held at Bow Bells House, 1 Bread Street, London EC4M 9HH, at 10.30 am on Tuesday, 15 July 2014 for the following purposes:

To consider and, if thought fit, pass the following Resolutions which will be proposed as Ordinary Resolutions:

1. To receive and adopt the Directors' Report and Financial Statements for the year ended 31 March 2014, together with the independent auditor's report thereon.
2. To receive and adopt the Directors' Remuneration Report for the year to 31 March 2014.
3. To receive and adopt the Directors' Remuneration Policy.
4. To approve a final dividend of 4.5p per share for the year ended 31 March 2014.
5. To re-elect Neil Gaskell as a Director of the Company.
6. To re-elect Karen Brade as a Director of the Company.
7. To re-elect Sir Andrew Burns as a Director of the Company.
8. To re-elect Kevin Pakenham as a Director of the Company.
9. To re-appoint Grant Thornton UK LLP as independent auditor and to authorise the Directors to agree their remuneration.

## Special business

As special business to consider and, if thought fit, pass the following resolutions, in the case of Resolution 10, as an Ordinary Resolution, and in the case of Resolutions 11 and 12, as Special Resolutions.

10. THAT, in substitution for any existing authority under section 551 of the Companies Act 2006 (the "Act"), but without prejudice to the exercise of any such authority prior to the date of this resolution, the directors of the Company be generally and unconditionally authorised for the purposes of Section 551 of the Act to allot ordinary shares of 10p each in the Company ("shares") and to grant rights ("relevant rights") to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £145,915, such authorisation to expire at the earlier of the conclusion of the next Annual General Meeting of the Company to be held in 2015 or 30 September 2015 unless previously renewed, revoked or varied by the Company in general meeting, save that the Company may at any time before the expiry of this authorisation make an offer which would or might require shares to be allotted or relevant rights to be granted after the expiry of this authorisation and the Directors of the Company may allot shares or grant relevant rights in pursuance of any such offer or agreement as if the authorisation conferred hereby had not expired.
11. THAT, subject to the passing of the resolution numbered 10 set out in the notice of this meeting ("Section 551 Resolution") and in substitution for any existing authority under sections 570 and 573 of the Companies Act 2006 (the "Act") but without prejudice to the exercise of any such authority prior to the date of this resolution, the directors of the Company be empowered pursuant to sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) either pursuant to the authorisation conferred by the Section 551 Resolution or by way of a sale of treasury shares, in each case for cash as if section 561(1) of the Act did not apply to such allotment or sale, provided that this power shall be limited to:
  - a) the allotment of equity securities (otherwise than pursuant to sub-paragraph (b) below) up to an aggregate nominal amount of £145,915 at a price not less than the undiluted net asset value per share at allotment, as determined by the directors of the Company;
  - b) the allotment of equity securities at a price not less than the undiluted net asset value per share at allotment, as determined by the directors of the Company in connection with an offer to (a) all holders of such ordinary shares of 10p each in the capital of the Company in proportion (as nearly as may be) to the respective numbers of ordinary shares held by them and (b) to holders of other equity securities as required by the rights of those securities (but subject to such exclusions, limits or restrictions or other arrangements as the directors of the Company may consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in or under the laws of, or requirements of, any regulatory body of any stock exchange in any territory or otherwise howsoever); and

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such power shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company to be held in 2015 or 30 September 2015, but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of any such offer or agreement as if such expiry had not occurred.

12. THAT the Company be and is hereby generally and, subject as hereinafter appears, unconditionally authorised, in accordance with Section 701 of the Companies Act 2006 (the "Act"), to make market purchases (within the meaning of Section 693(4) of the Act) of fully paid ordinary shares of 10p each in the capital of the Company ("ordinary shares") and to cancel or hold in treasury such shares, provided that:–
- a) the maximum aggregate number of ordinary shares hereby authorised to be purchased shall be an aggregate of 2,187,277 ordinary shares or, if less, the number representing 14.99% of the issued ordinary share capital of the Company as at the date of the passing of this resolution;
  - b) the minimum price which may be paid for an ordinary share shall be 10p (exclusive of expenses);
  - c) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall be the higher of:
    - (i) 5% above the average of the market values of the ordinary shares (as derived from the Daily Official List of the London Stock Exchange) for the ordinary shares for the five business days immediately preceding the date of purchase; and
    - (ii) the higher of the price of the last independent trade in ordinary shares and the highest current independent bid for ordinary shares on the London Stock Exchange; and
  - d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at earlier of the conclusion of the Annual General Meeting of the Company to be held in 2015 or 30 September 2015, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract or contracts.

By order of the Board  
**Aberdeen Asset Management PLC**  
Secretary  
Bow Bells House  
1 Bread Street  
London  
EC4M 9HH

9 June 2014

**Notes:**

- (i) A member entitled to attend, speak and vote is entitled to appoint one or more proxies to attend, speak and vote instead of him. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share. A reply-paid form of proxy is enclosed.
- (ii) Forms of proxy and the power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority, should be sent to the address noted on the form of proxy so as to arrive not less than 48 hours (excluding non-working days) before the time fixed for the meeting. The return of a completed proxy form or other instrument of proxy will not prevent you attending the meeting and voting in person if you wish to do so. A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every ordinary share of which they are a holder. As a member, you have the right to put questions at the meeting relating to the business being dealt with at the meeting.
- (iii) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to attend and vote at the meeting referred to above a member must first have his or her name entered in the Company's register of members by not later than 6pm on the date two days (excluding non-working days) before the time fixed for the meeting (or in the event that the meeting be adjourned on the register of members by not later than 6pm on the date two days (excluding non-working days) before the time of the adjourned meeting). Changes to entries on that register after that time (or, in the event that the meeting is adjourned, on the register of members after 6pm on the date two

## Notice of Annual General Meeting continued

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days (excluding non-working days) before the time of any adjourned meeting) shall be disregarded in determining the rights of any member to attend and vote at the meeting referred to above.

- (iv) 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 utilising the procedures described in the CREST Manual which can be viewed at [www.euroclear.com](http://www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (v) In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) no later than 48 hours before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
- (vi) CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (vii) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (viii) Any person holding 3% of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.
- (ix) A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in notes (i) and (ii) above do not apply to a Nominated Person. The rights described in those notes can only be exercised by registered members of the Company.
- (x) It is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
- (xi) No Director has a service contract with the Company. Copies of the Directors' letters of appointment are available for inspection on any day (except Saturdays, Sundays and bank holidays) from the date of this notice until the date of the meeting during usual business hours at the Company's registered office and for 15 minutes prior to, and at, the meeting.
- (xii) Information regarding the Annual General Meeting, including information required by Section 311A of the Companies Act 2006, is available from the Company's website, [www.aberdeenjapan.co.uk](http://www.aberdeenjapan.co.uk).
- (xiii) Under Section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:
  - a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
  - b) the answer has already been given on a website in the form of an answer to a question; or

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- c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- (xiv) The Register of Directors' Interests kept by the Company in accordance with Section 809 of the Companies Act 2006 will be open for inspection at the meeting.
- (xv) Shareholders are advised that, unless otherwise stated, any telephone number, website or e-mail address which may be set out in this Notice of Annual General Meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or document on, or otherwise communicating with, the Company for any purposes other than those expressly stated.
- (xvi) As at 2 June 2014, the latest practicable date prior to publication of this document, the Company had 14,591,572 ordinary shares in issue with a total of 14,591,572 voting rights.
- (xvii) There are special arrangements for holders of shares through the Share Plan and Investment Trust ISA. These are explained in the 'Letter of Direction' which such holders will have received with this report.
- (xviii) Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):
- Tel: 0871 664 0300  
(Calls to the above number cost 10 pence per minute plus network extras. Lines are open 8.30 am–5.30 pm Mon–Fri.)  
Tel International: (+ 44 208 639 3399)  
e-mail [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

# Corporate Information

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## Directors

Neil Gaskell, Chairman  
Karen Brade  
Sir Andrew Burns  
Kevin Pakenham

## Manager

Aberdeen Asset Management Asia Limited  
21 Church Street  
#01-01 Capital Square Two  
Singapore 049480

## Secretary and Registered Office

Aberdeen Asset Management PLC  
Bow Bells House  
1 Bread Street  
London EC4M 9HH

Registered in England & Wales No. 3582911

## Website

[www.aberdeenjapan.co.uk](http://www.aberdeenjapan.co.uk)

## Bankers

Standard Chartered Bank  
1 Basinghall Avenue  
London, EC2V 5DD

## Stockbrokers

JPMorgan Securities Limited  
25 London Wall  
London EC2Y 5AJ

## Independent Auditor

Grant Thornton UK LLP  
30 Finsbury Square  
London EC2P 2YU

## Custodian

JPMorgan Chase Bank  
125 London Wall  
London EC2Y 5AJ

## Lawyers

Maclay Murray Spens  
One London Wall  
London EC2Y 5AB

## Points of Contact

### Manager

Customer Services Department: 0500 00 00 40  
(open Monday - Friday, 9am - 5pm)  
Email: [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com)

## Registrars

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
Tel: 0871 664 0300  
(Calls cost 10p per minute plus network extras. Lines are open 8.30 am–5.30 pm Mon–Fri.)

Tel International: (+44 208 639 3399)

e-mail [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)  
website [www.capitaregistrars.com](http://www.capitaregistrars.com)

# Financial Calendar

<b>23 May 2014</b>	Announcement of results for year ended 31 March 2014
<b>15 July 2014</b>	Annual General Meeting
<b>18 July 2014</b>	Proposed final dividend payable for year ended 31 March 2014
<b>November 2014</b>	Announcement of Half-Yearly Financial Report for the six months ending 30 September 2014



# Your Company's History

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## Issued Share Capital at 31 March 2014

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14,591,572 Ordinary shares of 10p each with voting rights

## Capital History

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Year ended 31 March 2014	No changes in the issued share capital. The Company changed its investment objective from an All Asia to a Japan only mandate. The name of the Company was changed to Aberdeen Japan Investment Trust PLC.
Year ended 31 March 2013	700,000 Ordinary shares held in treasury were cancelled. No shares were purchased or issued.
Year ended 31 March 2012	900,795 Ordinary shares purchased, 200,795 of which for cancellation, and 700,000 held in treasury.
Year ended 31 March 2011	No shares purchased, cancelled or issued.
Year ended 31 March 2010	240,000 Ordinary shares purchased for cancellation at prices per share in a range between 239.0p and 280.38p.
Year ended 31 March 2009	541,000 Ordinary shares purchased for cancellation at prices per share in a range between 150.0p and 176.0p.
Year ended 31 March 2008	413,400 Ordinary shares purchased for cancellation at prices per share in a range between 199.3p and 244.0p.
Year ended 31 March 2007	Change in name to Aberdeen All Asia investment Trust PLC from Gartmore Asia Pacific Trust PLC.
Year ended 31 March 2004	Change in name to Gartmore Asia Pacific Trust PLC from Govett Asian Recovery Trust PLC Tender Offer and Matching facility - 18,971,310 Ordinary shares purchased for cancellation.
Year ended 31 March 2003	544,000 Ordinary shares purchased for cancellation.
Year ended 31 March 2001	720,000 Ordinary shares purchased for cancellation.
Year ended 31 March 2000	200,000 Ordinary shares purchased for cancellation.
Year ended 31 March 1999	200,000 Ordinary shares purchased for cancellation.
August 1998	Company established as Govett Asian Recovery Trust PLC with 37,322,077 Ordinary shares of 10p subscribed.

# Full Text of Investment Policy

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The Company's holdings will be generally listed in Japan although the portfolio may also include companies traded on stock markets outside Japan whose consolidated revenue is earned predominantly from trading in, or consolidated net assets are predominantly held in, Japan. The investment portfolio of the Company may comprise investments of any market capitalisation or sector. From time to time, fixed interest holdings, or quasi-equity investments such as convertible securities and warrants, may be held although the book value of such investments will never represent in aggregate more than 25% of gross assets.

The portfolio will be constructed through the identification of individual companies which offer long-term growth potential. The portfolio will be actively managed and not seek to track the Company's reference benchmark, hence a degree of volatility against the benchmark is inevitable.

In constructing the new equity portfolio a spread of risk will be achieved by diversifying the portfolio through investment in 30 to 70 holdings. Sector concentration and thematic characteristics of the portfolio will be carefully monitored. There will be no maximum limits to deviation from the Company's reference benchmark, stock or sector weights except as imposed by banking covenants on any borrowings.

On acquisition, no holding shall exceed 10% of the Company's portfolio at the time of purchase although market movements may increase this percentage. Also, on acquisition, no more than 15% of the Company's gross assets will be invested in other UK listed investment companies, being companies holding the majority of their net assets in Japan.

The Board is responsible for determining the gearing strategy for the Company. Gearing may be used selectively to leverage the Company's portfolio in order to enhance returns where and to the extent it is considered appropriate to do so. Gearing will be subject to a maximum gearing level of 25% of net assets at the time of draw down. Any borrowing, except for short-term liquidity purposes, will be used for investment purposes or buying back shares.

The Company may use derivatives for the purpose of efficient portfolio management and hedging (i.e. for the purpose of reducing, transferring or eliminating investment risk in its investments, including protection against currency risks). The Company will seek to ensure that the Company's Yen net exposure is appropriately Sterling-hedged through the use of rolling forward contracts, options or other derivative instruments. The Board, in its absolute discretion but following consultation with the Investment Manager, will determine what levels of Sterling hedge are appropriate in light of market movements and the composition of the portfolio from time to time. The Company may purchase and sell derivative investments such as exchange-listed and over-the-counter put and call options on currencies, securities, fixed income, currency and interest rate indices and other financial instruments, purchase and sell financial futures contracts and options thereon and enter into various interest rate and currency transactions such as swaps, caps, floors or collars or credit transactions and credit derivative instruments. The Company may also purchase derivative instruments that combine features of these instruments. The Company's aggregate exposure to derivative instruments will not exceed 50% of its gross assets, excluding any instruments used for the purposes of currency hedging.

The Company will not acquire securities that are unlisted or unquoted at the time of investment (with the exception of securities which are about to be listed or traded on a stock exchange or are convertible into listed securities). However, the Company may continue to hold securities that cease to be listed or quoted if the Investment Manager considers this to be appropriate.

The Company may underwrite or sub-underwrite any issue or offer for sale of investments. No such commitment will be entered into if the aggregate of such investments would exceed 10% of the Company's gross assets and no such individual investment would exceed 5% of the Company's gross assets.

Any minimum and maximum percentage limits set out in the Investment Policy will only be applied at the time of the relevant acquisition, trade or borrowing.

The Company will normally be substantially fully invested in accordance with its investment policy but, during periods in which changes in economic conditions or other factors (such as political and diplomatic events, natural disasters and changes in laws) so warrant, the Company may reduce its exposure to securities and increase its position in cash and money market instruments.

The Company will invest and manage its assets, including its exposure to derivatives, in accordance with the objective of spreading risk in accordance with the Company's investment policy.



