

Aberdeen Japan Equity Fund, Inc. (JEQ)

Japanese equities fell during the month of October, as the market was weighed down by concerns of rising COVID-19 infections across the world, and halting progress by the U.S. government for further stimulus measures. But similar to earlier in the year, the Japanese market was more resilient compared to other major markets. Small caps marginally outperformed large caps; the yen strengthened against most major currencies.

Corporates kicked off the reporting of September-end quarterly earnings, and thus far, results have been largely favorable. If the prior quarter was characterized by restraint, repositioning and prudent cost control, the end September quarter suggests that many of our holdings are undergoing noticeable recoveries, despite operating under still-difficult conditions. This set of results also reaffirmed our view that early prognosis of the pandemic's impact on Japanese corporates were much harsher than reality.

With conditions normalizing for some corporates, share buybacks have started making a comeback, notably for healthcare and telecommunications companies. Dividends at the majority of our holdings have remained at similar levels as a year ago.

One of our retail holdings launched a hostile offer to acquire a hardware-store operator, topping a previous proposal from a fellow retailer. A successful takeover will allow the company to expand in the Tokyo metropolitan area, but this bid is more notable for the company's approach. Hostile takeovers in Japan have largely been taboo and difficult to execute, due to cross shareholdings and weak governance in corporate boardrooms, as well as a general distaste for such corporate activity exhibited by policymakers and the media. While these bids have generally not succeeded, their increasing number in the last year has tested the resolve of corporates in embracing corporate governance.

Aberdeen Japan Equity Fund Total Returns (%)*

	Cumulative as of Sep. 30, 2020			Annualized as of Sep. 30, 2020				
	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception 07/24/92
NAV	4.5	8.8	10.2	18.9	6.5	10.2	8.2	2.6
Market Price	4.3	6.8	6.4	17.5	4.1	9.3	7.7	2.0
Tokyo Stock Price Index (Net)**	1.7	7.4	-0.9	7.0	3.2	7.6	6.5	—***
Tokyo Stock Price Index (Gross)	1.8	7.5	-0.5	7.4	3.6	7.9	6.8	3.3

* **PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.** Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than original cost. Current performance may be lower or higher than the performance quoted. NAV return data includes investment management fees, custodial charges and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions. Returns for periods less than one year are not annualized.

** Effective February 28, 2020, the TOPIX (Net Dividends) replaced the TOPIX (Gross Dividends) as the Fund's

*** There is no since inception figure for the Tokyo Stock Price Index (Net) because the inception date of the Index is December 29, 2000. primary benchmark

Aberdeen Japan Equity Fund, Inc. Top 10 Holdings*

Holding	%
Shin-Etsu Chemical	4.1
Toyota Motor Corp.	3.8
Tokio Marine Holdings	3.7
Daikin Industries	3.7
Sony Corp.	3.6
Keyence Corp.	3.4
Nippon Paint Holdings	3.1
Chugai Pharmaceutical	2.8
Makita Corp.	2.6
Nabtesco Corp.	2.5
Total	33.3

* As of September 30, 2020. Based on total assets. Holdings are subject to change and are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities shown. The top 10 holdings are reported by share class. Certain companies listed may be held in additional share classes not listed above.

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International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging market investments. Concentrating investments in the Japan region subjects the Fund to more volatility and greater risk of loss than geographically diverse funds.

Equity stocks of small and mid-cap companies carry greater risk, and more volatility than equity stocks of larger, more established companies.

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