

25 November 2021

**Aberdeen Japan Investment Trust PLC (the “Company”)**  
**Legal Entity Identifier (LEI): 5493007LN4380BLNLM64**

## **HALF-YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

### **INVESTMENT OBJECTIVE**

The Company’s objective is 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.

### **CHAIRMAN’S STATEMENT**

#### **Performance**

The six month period was overshadowed initially by concern in Japan over rising COVID 19 infection rates combined with a slow roll out of the vaccination programme. Prime Minister Suga’s announcement that he would not run in the autumn election was welcomed by the market.

Against this extraordinary backdrop your Company’s net asset value total return for the six month period to 30 September 2021 was 10.1%, outperforming the Topix benchmark’s 6.4% total return.

Your Company’s strategy of selecting well-run businesses with management that can adapt to the challenges of changing market conditions once again stood us in good stead. Portfolio companies with good pricing power and operational flexibility have seen improved corporate results. The approach to long-term, active investment and engagement continues to bear fruit. Further details can be found in the Investment Manager’s Review.

The Company’s longer-term relative performance remains strong, with NAV returns of 32.8% and 63.5% over 3 and 5 years, respectively, compared with benchmark returns of 18.0% and 50.2%.

The Company’s Ordinary share price ended the period at 805.0p, up 77.5p on 31 March 2021. The total return for the period was 12.1% with dividends reinvested and the discount to NAV per Ordinary share narrowed from 9.9% to 8.4% as at 30 September 2021.

#### **Dividend**

Good performance combined with a regular, sustainable semi-annual dividend should allow the Company to broaden its shareholder base and help to maintain the share price discount to NAV at reasonable levels. The Board continues to make use of the benefits of the investment trust structure to allow the Company to support the enhanced dividend policy.

A final dividend of 9.0p per Ordinary share in respect of the year ended 31 March 2021 was paid to shareholders on 23 July 2021, making a total dividend for the year of 15.0p (2020 – 15.0p). Revenue return per Ordinary share over the six month period to 30 September 2021 rose to 3.42p (2020 – 2.65p). The Board has declared an interim dividend of 6.0p for the year ending 31 March 2022 (2021 – 6.0p) which will be paid to shareholders on 30 December 2021. The record date is 3 December 2021.

#### **Gearing**

The Company has a Yen 1.3 billion fixed term facility and a Yen 1.0 billion floating rate facility with ING Bank. The Board considers a gearing level of around 10% to be appropriate, although, with stock market fluctuations, this may range between 5–15%. Net gearing as at 30 September 2021 was 9.5% (31 March 2021 - 10.0%).

The Board believes that the potential to gear the portfolio at the right time is one of the great advantages of the closed ended company structure, with the sensible use of modest financial gearing seeking to enhance returns to shareholders. The Company's gearing options will be considered by the Board prior to the maturity of the current loan facility on 21 January 2022.

### **Environmental, Social & Corporate Governance ('ESG')**

Corporate Japan is changing its approach, embracing the principles of ESG. This development, particularly on the corporate governance front, has accelerated throughout the review period. Your Investment Manager has played an active role in effecting some of these changes.

Over the period, the portfolio's holdings have continued to register improvements, including greater transparency in terms of disclosure. Encouragingly, companies are more willing to engage with investors, and the composition of boards is growing more inclusive and diverse. Overall, these developments foster a change in attitude, with management more mindful of helping to not only preserve, but also enhance, shareholder value, both in their day-to-day decisions and at more strategic policymaking levels. Your Investment Manager has been working with several companies to encourage them to track their key indicators, such as carbon emissions, supply chain management, carbon intensity and health and safety, and to disclose these regularly. Meticulously tracking and then publishing these numbers will not only help companies provide an objective track record that will result in improved ESG standards, but also keep them accountable in sticking to the targets that they have set for themselves. Japanese companies have an added advantage, in that they possess the technology and leading-edge materials that will help them attain these ESG-related goals.

I have drawn on two examples of engagement with companies in our portfolio to illustrate just how important this has become. First, machinery components supplier **Misumi** revealed that it has an internal environmental sustainability goal which is not publicly disclosed. Misumi management admitted that there was a need to review and update the goal-setting process to be more in line with current social trends, as well as to revise its disclosure policy under Japan's new Corporate Governance Code, which takes the Task Force on Climate-Related Financial Disclosures' guidelines into consideration. Misumi has clear frameworks and guidelines for managing environmental risk. The chairman oversees climate risk issues and is considering the future incorporation of carbon neutrality targets into key performance metrics, while the use of renewable energy and plans for carbon dioxide emissions will be included as business management indicators at production sites. The company expects the introduction of solar power generation at three factories in Japan to help lower carbon dioxide emissions meaningfully.

Insurance company **Tokio Marine Holdings** announced a second share buyback this year in September. While the company is no stranger to buybacks, it had upset the market earlier in the year with the announcement of a new and unclear capital policy for excess capital, despite Tokio Marine's share price trading at attractive levels. The company's management were persuaded to change course after conversations with investors, including abrdn.

### **Discounts and Share Buybacks**

The Board regularly monitors the discount level of the Company's shares in relation to the NAV. There is a mechanism in place to buy back shares at appropriate levels when to do so will add value for shareholders. During the six-month period, 247,156 shares (2020 – 241,746) were bought back into treasury at a cost of £1.77 million (representing 1.9% of the issued ordinary shares at 30 September 2021). Since the period end, a further 94,864 shares have been repurchased.

### **Outlook**

The Board remains optimistic about the future for Japanese equities. We expect political continuity under the new Prime Minister Fumio Kishida. Covid-19 continues to loom over Japan and the rest of the world, vaccination rates are increasing, and infection and death rates are falling.

Global risks such as rising inflation rates, slowing Chinese growth and a US withdrawal of support for bond markets may impact Japanese companies. While these factors could yet pose problems for corporate Japan and beyond, the higher-quality businesses run by tried-and-tested

management teams, such as those held by the Company, are well positioned to navigate these times of uncertainty.

The Company's portfolio of investments, with healthy balance sheets and ample free cash flow, puts it in a strong position. A solid fundamental base, coupled with management teams' experience in navigating Covid-19 and previous crises, should allow these companies to continue their strong recovery and progress. Many of our holdings have built dominant positions in their own fields and will continue to thrive regardless of external pressures faced.

The Board has every confidence in your Tokyo-based Manager's consistent approach. The process of seeking out the best companies – whether small, mid or large capitalisation stocks – through stringent screening and regular meetings with senior management will ensure the long-term growth prospects of the underlying investments in your Company's portfolio. The Investment Manager's ESG focus, which is core to the investment process, should also help to ensure effective engagement at all levels as better and more sustainable practices are encouraged and thus hopefully better share price ratings in recognition of their efforts.

**Karen Brade,**  
**Chairman**

24 November 2021

## **INTERIM BOARD REPORT – OTHER MATTERS**

### **Principal Risks and Uncertainties**

The Board has in place a robust process to identify, assess and monitor the principal risks and uncertainties facing the Company and to identify and evaluate newly emerging risks. The Company's risks are regularly assessed by the Audit Committee and managed by the Board through the adoption of a risk matrix which identifies the key risks for the Company, including emerging risks, and covers strategy, investment management, operations, shareholders, regulatory and financial obligations and third party service providers. The Company's risks are regularly monitored at Board meetings and the Board believes that the Company is well prepared to mitigate short term operational risks through 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 principal risks and uncertainties facing the Company have been identified as follows:

- Market, economic and political risk
- Investment strategy risk
- Investment management risk
- Operational risk
- Regulatory risk
- Share price and discount risk
- Leverage risk
- Pandemic risk

Further details of these risks are provided on pages 14 to 16 of the 2021 Annual Report and Accounts which is available on the Company's website: [aberdeenjapan.co.uk](http://aberdeenjapan.co.uk).

In addition to these risks, there are also a large number of international political and economic uncertainties which could have an impact on the performance of global markets. The outbreak of the COVID-19 virus resulted in business disruption and stockmarket volatility across the world. The impact of the virus, including its longer term combined consequences, remains uncertain for both the underlying operating and economic environment. The Investment Manager undertook a detailed review of the investee companies in the Company's portfolio to assess the impact of COVID-19 on their operations, such as employee absence, reduced demand, reduced turnover and supply chain breakdowns; and it continued to review the composition of the Company's

portfolio. The business continuity procedures and contingency arrangements implemented by the Manager (and its third party service providers) to ensure that it is able to service their clients, including investment trusts, have proven effective.

The Board will continue to monitor developments as they occur.

In all other respects, the Company's principal risks and uncertainties have not changed materially since the publication of the 2021 Annual Report and Accounts.

### **Related Party Transactions**

Any related party transactions during the period are disclosed in the Notes to the Financial Statements. There have been no related party transactions that have had a material effect on the financial position of the Company during the period.

### **Going Concern**

In accordance with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the Directors have undertaken a rigorous review and consider that there are no material uncertainties and that the adoption of the going concern basis of accounting is appropriate.

The Company's assets consist of equity shares in companies listed on the Tokyo Stock Exchange and in most circumstances are realisable within a short timescale.

The Company has a fixed term loan facility of JPY 1.3 billion and a revolving loan facility of JPY 1.0 billion in place until January 2022. The Board has set limits for borrowing and regularly reviews the Company's gearing levels and its compliance with bank covenants. Initial discussions with banks have commenced with a view to renewing the facility.

The Board has a reasonable expectation that the Company has adequate financial resources to continue its operational existence for the foreseeable future and the ability to meet all its liabilities and ongoing expenses from its assets. Given that the Company's portfolio comprises "Level One" assets (listed on a recognisable exchange and realisable within a short timescale), and the Company's relatively low level of gearing, the Directors believe that adopting a going concern basis of accounting remains appropriate.

Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

### **Directors' Responsibility Statement**

The Directors are responsible for preparing the Half Yearly Financial Report in accordance with applicable laws and regulations. The Directors confirm that to the best of their knowledge:

- the condensed set of Financial Statements has been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting);
- the Half Yearly Financial Report includes a fair review of the information required by rule 4.2.7R of the Disclosure and Transparency Rules (being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the financial year); and
- the Half Yearly Financial Report includes a fair review of the information required by 4.2.8R (being related party transactions that have taken place during the first six months of the financial year and that have materially affected the financial position of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so).

The Half Yearly Financial Report for the six months ended 30 September 2021 comprises the Interim Board Report, which consists of the Chairman's Statement, Investment Manager's Review and Other Matters (including the Directors' Responsibility Statement), and the condensed set of Financial Statements.

**Karen Brade,**  
**Chairman**  
24 November 2021

## **INVESTMENT MANAGER'S REVIEW**

### **Overview**

The Japanese equity market rose over the six months to 30 September 2021. The period was characterised by a strengthening economy and, later, a new government. While Covid-19 remained a threat throughout the period, we ended the half year optimistically.

Early in the period, the Japanese government declared an emergency lockdown in Tokyo and other economic hubs. The coronavirus infection rate undulated through the period, peaking in April, then falling back in June before rising again over the summer. Led by the more infectious 'Delta' variant, cases spiked in August, after the end of the 2020 Summer Olympics, peaking at around 26,000 cases per day. However, this declined sharply, to less than 2,000 cases at the end of September. The state of emergency and quasi-state of emergency were finally lifted in all regions at the end of September, for the first time since April. After a slow start, the proportion of the Japanese population having received two doses of a vaccine reached 60% at the end of September.

On the political front, the Liberal Democratic Party's (LDP) popularity suffered over the summer months. Former Prime Minister Yoshihide Suga was criticised for his handling of the Covid-19 pandemic. Fumio Kishida won the leadership race of the LDP to become Japan's new prime minister on 4 October 2021. The former foreign minister ran against the popular vaccinations minister, Taro Kono, in the run-off vote, having beaten the two female candidates in the first round.

On the economic front, Japan avoided a recession in the second quarter. A rebound in consumer spending defied virus restrictions, while renewed investments by businesses and increased government spending also allowed for an annualised GDP growth rate of 1.9%. Japanese firms boosted investments for a second straight quarter, a sign that companies are looking past the Covid-19 crisis. Private consumption rose 0.9% quarter-on-quarter, overshooting economists' expectations of flat numbers. The Bank of Japan ("BoJ") kept interest rates unchanged throughout the period.

In general, corporate results have been positive. Quarterly reporting has reaffirmed our view that fundamentals remain firm at our holdings. While sustained geopolitical tensions and supply shortage issues hampered a number of industries, our holdings fared well, thanks to their pricing power, ability to procure components and flexibility in adjusting production. Several of our holdings have raised forecasts on the back of firm results and rising confidence.

With this backdrop, we have been busy taking stock of the new trends, assessing how they might affect the portfolio's underlying holdings and evaluating what sorts of opportunities lie ahead. We lay this out in greater detail in the section below.

### **Portfolio review**

We are pleased to report that the portfolio returned 9.8% in sterling terms during the six-month period under review, outperforming the benchmark's return of 6.4%. On a sterling total return basis, the Company's NAV rose by 10.1% and the share price rose by 12.1%.

The ongoing pandemic has had far-reaching effects on all businesses. In this environment, the Company's focus on well-run companies, which adapted quickly to changes in the market and which continue to find ways to create value, contributed to outperformance. Importantly, we have observed increasingly positive trends in ESG initiatives across most of our holdings. These are borne out of conversations and ideas seeded over time, and we do not expect this momentum to slow. The discussions we have had with the portfolio companies include proposals to raise

disclosure standards on their initiatives, to create frameworks for better assessment of risk, and to improve returns and promote more comprehensive restructuring.

In terms of individual stock performance, the holding in precision machinery parts distributor **Misumi Group** benefited us, as the company continued to report better-than-expected results. In addition to a recovery in the demand cycle, company-wide efforts to optimise prices and eliminate unprofitable products are starting to generate returns. Industrial gas company **Nippon Sanso** rose on the back of a broad-based recovery in demand as industrial activity resumed in the US, Japan and Europe. Investors also welcomed the company's hydrogen-related initiatives to contribute to decarbonisation. The online marketing company **ValueCommerce** has delivered a series of healthy results, supported by sustained demand for its marketing solutions from vendors on the Yahoo Shopping platform.

The gains from these companies were partially offset by some weaker performers, but we remain confident in the longer-term prospects for these businesses, which are underpinned by resilient balance sheets. Factory automation components provider **Nabtesco** declined on concerns over a weaker outlook for hydraulic equipment used in construction machinery. However, with the firm's global market share in the oligopolistic market of reduction gears, and with automation needs in factories structurally rising, we remain positive about the company's long-term prospects. **Edulab**, the computer-based testing provider, delayed releasing June quarter-end results after their auditor raised questions around the reporting of certain transactions. The committee set up to investigate later disclosed further questionable accounting practices around sales recognition, and we opted to sell out of this position due to the perceived governance risk. Finally, automotive headlamp manufacturer Stanley Electric underperformed on weak results due to supply chain issues and expectations that a ramp-up in production will weigh on future profitability.

In portfolio activity we sold several positions in favour of more attractive opportunities elsewhere. Early in the period, we exited material handling systems provider **Daifuku**, which we had initiated early in 2020. Valuations were no longer attractive, following a welcome re-rating last year. At the same time, management released cautious guidance, anticipating a rise in fixed costs such as research and development. We exited the position to raise cash for more attractive opportunities elsewhere. In September, we exited Edulab in light of the accounting investigation, as outlined above.

Late in the period, we initiated a position in **AGC**, a leading maker of glass products, chemicals and electronics that trades at an attractive valuation. The company has been using cash generated by more mature businesses, to invest in structural growth opportunities, including pharmaceutical development and manufacturing outsourcing, EUV mask blanks for semiconductor manufacturing, and display products for next-generation vehicles. The company has a number of global leading products, enabling stable cashflow generation to support continued reinvestment in the business, underpinning shareholder returns.

## Outlook

Prospects for Japanese equities are looking up amid a global economic recovery. A ramp-up in the vaccination rate in Japan and the reopening of economies in North America and Europe should benefit Japanese corporates with local as well as overseas operations. We believe the portfolio is poised to reap the benefits of these developments and that valuations remain reasonable against the improving outlook of our portfolio as a whole.

On the political front, the new prime minister is widely viewed as a centrist politician. During the presidential campaign, Kishida called for a ¥30 trillion stimulus package to revive the economy and vowed to reduce to zero the number of people without access to Covid-19 medical care. He has flagged income inequality as a problem and hopes raising wages could fuel growth. We do not expect major policy shifts as a result of the change in prime minister. The recent general election won by the LDP with a solid majority should provide a reasonable platform for Kishida.

Economically, we remain cautiously optimistic. Bank of Japan Governor Kuroda has been positive on Japan's economy, forecasting growth returning to pre-coronavirus levels by late 2021 or early 2022. Equally, businesses are upbeat about their prospects. The BoJ's Tankan survey of large

manufacturers, published just after the period end, showed sentiment at its highest level since 2018. Meanwhile, sentiment among large non-manufacturers also improved. Businesses that have delayed expansion plans are making up for lost time, resulting in a broad-based pick-up in corporate capital expenditure; there is pent-up demand, not only from last year's business disruption, but also from geopolitical uncertainty the year before. There are, however, risks: global inflation, a slowing Chinese economy and a more hawkish interest rate policy from the US Federal Reserve could all spill over and impact Japanese corporate activity.

From an investment perspective, our continued focus on well-run businesses that are leaders in their segments and that are linked to longer-term structural changes in society, and our diligence in carrying out proprietary research has, to date, yielded success. The results of many of the underlying companies held in the portfolio underpin our investment choices, which should position your Company well for a recovering global economy.

**Kwok Chern-Yeh**  
**abrdn Investments (Japan) Limited**  
**Investment Manager**  
 24 November 2021

## FINANCIAL HIGHLIGHTS

<b>Net asset value total return{A}</b>	<b>Index total return</b>	<b>Share price total return{A}</b>
<b>Six months to 30 September 2021</b>	<b>Six months to 30 September 2021</b>	<b>Six months to 30 September 2021</b>
+10.1%	+6.4%	+12.1%
Six months to 30 September 2020: 26.3%	Six months to 30 September 2020: +14.8%	Six months to 30 September 2020: +18.0%
<b>Ongoing charges ratio {A}</b>	<b>Discount to net asset value{A}</b>	<b>Dividend per share</b>
<b>Six months to 30 September 2021</b>	<b>As at 30 September 2021</b>	<b>Six months to 30 September 2021</b>
1.04%	8.4%	6.00p
Year to 31 March 2021: 1.04%	As at 31 March 2021: 9.9%	Six months to 30 September 2020: 6.00p

{A} Considered to be an Alternative Performance Measure. Further details can be found below.

	<b>As at 30 September 2021</b>	<b>As at 31 March 2021</b>	<b>Change %</b>
Total assets (£'000){A}	126,020	118,585	+6.3%
Total equity shareholders' funds (£'000)	114,721	107,438	+6.8%
Net asset value per Ordinary share	878.7p	807.7p	+8.8%
Share price (mid-market)	805.0p	727.5p	+10.7%
Discount to net asset value per Ordinary share{B}	8.4%	9.9%	
Net gearing{B}	9.5%	10.0%	
Ongoing charges{B}	1.04%	1.04%	

{A} Excludes foreign currency bank loans of £11,299,000 (31 March 2021 - £11,147,000).

{B} Considered to be an Alternative Performance Measure. Further details can be found below.

	<b>Six months ended 30 September 2021</b>	<b>Six months ended 30 September 2020</b>	<b>Change %</b>
Revenue return per Ordinary share	3.42p	2.65p	29.1
Interim dividend	6.00p	6.00p	0.0

**PERFORMANCE (total return) {A}**

	<b>Six months ended 30 Sept 2021</b>	<b>Year ended 30 Sept 2021</b>	<b>Three years ended 30 Sept 2021</b>	<b>Five years ended 30 Sept 2021</b>
Share price{B}	+12.1%	+28.5%	+41.0%	+71.5%
Net asset value per Ordinary share{B}	+10.1%	+16.3%	+32.8%	+63.5%
Index{C}	+6.4%	+15.6%	+18.0%	+50.2%

{A} Total return represents capital return plus dividends reinvested.

{B} Considered to be an Alternative Performance Measure. Further details can be found below.

{C} Index represents the TOPIX.

**INVESTMENT PORTFOLIO**  
**As at 30 September 2021**

Company	Sector	Valuation	Total assets
		£'000	%
Toyota Motor Corporation	Automobiles and Parts	5,517	4.4
Tokio Marine Holdings	Non-life Insurance	4,959	3.9
Sony Group Corp	Leisure Goods	4,792	3.8
Asahi Group holding	Beverages	4,550	3.6
Shin-Etsu Chemical Company	Chemicals	4,421	3.5
Recruit Holdings Corporation	Industrial Support Services	4,282	3.4
Misumi Group	Industrial Engineering	4,173	3.3
Nippon Sanso Holdings	Chemicals	3,894	3.1
Keyence Corporation	Electronic and Electrical Equipment	3,665	2.9
Amada Company	Industrial Engineering	3,636	2.9
<b>Top ten investments</b>		<b>43,889</b>	<b>34.8</b>
Tokyu Fudosan Holdings	Real Estate Investment and Services	3,271	2.6
KDDI Corporation	Telecommunications Service Providers	2,893	2.3
Daikin Industries	Construction and Materials	2,682	2.1
Zenkoku Hosho Company	Finance and Credit Services	2,551	2.0
Makita Corporation	Household Goods and Home Construction	2,473	2.0
Murata Manufacturing	Technology Hardware and Equipment	2,443	1.9
Koito Manufacturing	Automobiles and Parts	2,281	1.8
Nabtesco Corporation	Industrial Engineering	2,221	1.8
Hoya Corporation	Medical Equipment and Services	2,195	1.7
Resorttrust	Travel and Leisure	2,126	1.7
<b>Top twenty investments</b>		<b>69,025</b>	<b>54.7</b>
Valuecommerce Company	Media	2,097	1.7
Yamaha Corporation	Leisure Goods	1,970	1.6
Stanley Electric Company	Automobiles and Parts	1,899	1.5
Fanuc Corporation	Industrial Engineering	1,894	1.5
Z Holdings Corporation	Software and Computer Services	1,814	1.4
Kansai Paint Company	General Industrials	1,785	1.4
Astellas Pharma	Pharmaceuticals and Biotechnology	1,711	1.4
NEC Networks & System Integration Corp	Telecommunications Equipment	1,700	1.3
Advantest Corporation	Technology Hardware and Equipment	1,678	1.3
Heiwa Real Estate	Real Estate Investment and Services	1,662	1.3
<b>Top thirty investments</b>		<b>87,235</b>	<b>69.1</b>
USS Company	Retailers	1,656	1.3
Tokyo Century Corporation	Finance and Credit Services	1,651	1.3
Nitori Holdings	Retailers	1,631	1.3
Tokyo Electron	Technology Hardware and Equipment	1,584	1.3
Welcia Holdings Company	Personal Care, Drug and Grocery Stores	1,468	1.2
Shiseido Company	Personal Goods	1,433	1.1
Shoei Co	Household Goods and Home Construction	1,391	1.1
Sanken Electric	Technology Hardware and Equipment	1,327	1.1
NEC Networks & System Integration Corporation	Telecommunications Equipment	1,325	1.0
Chugai Pharmaceutical Company	Pharmaceuticals and Biotechnology	1,290	1.0

Top forty investments		<b>101,991</b>	<b>80.8</b>
Sho-Bond Holdings Company	Construction and Materials	1,250	1.0
Daiichi Sankyo	Pharmaceuticals and Biotechnology	1,242	1.0
Japan Exchange Group	Investment Banking and Brokerage Services	1,212	1.0
Sansan	Software and Computer Services	1,167	0.9
Zuken	Software and Computer Services	1,128	0.9
Jeol	Electronic and Electrical Equipment	1,090	0.9
Scroll Corporation	Retailers	1,031	0.8
Nippon Paint Holdings Company	General Industrials	1,006	0.8
Elecom Company	Technology Hardware and Equipment	996	0.8
Milbon Company	Personal Goods	987	0.8
Top fifty investments		<b>113,100</b>	<b>89.7</b>
Taoka Chemical	Chemicals	983	0.8
BML	Health Care Providers	949	0.8
Otsuka Corporation	Software and Computer Services	941	0.7
Menicon Company	Medical Equipment and Services	907	0.7
WealthNavi	Investment Banking and Brokerage Services	885	0.7
Fukui Computer Holdings	Software and Computer Services	846	0.7
Asahi Intecc Company	Medical Equipment and Services	843	0.7
As One Corporation	Medical Equipment and Services	836	0.7
Nihon M&A Centre	Investment Banking and Brokerage Services	725	0.6
Takara Bio	Pharmaceuticals and Biotechnology	714	0.6
Top sixty investments		<b>121,729</b>	<b>96.7</b>
AGC	General Industrials	691	0.5
Takuma	Construction and Materials	670	0.5
Okinawa Cellular Telephone	Telecommunications Service Providers	648	0.5
Coconala	Software and Computer Services	503	0.4
Workman	Retailers	347	0.3
Appier Group	Software and Computer Services	336	0.3
Pigeon Corporation	Personal Care, Drug and Grocery Stores	282	0.2
Total investments		<b>125,206</b>	<b>99.4</b>
Net current assets{A}		<b>814</b>	<b>0.6</b>
<b>Total assets</b>		<b>126,020</b>	<b>100.0</b>

{A} Excludes bank loans of £11,299,000

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

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

	Six months ended 30 September 2021		
	Revenue £'000	Capital £'000	Total £'000
Gains on investments	-	10,186	10,186
Income (note 2)	917	-	917
Investment management fee (note 11)	(142)	(214)	(356)
Administrative expenses	(210)	-	(210)
Exchange (losses)/gains	-	(143)	(143)
<b>Net return before finance costs and taxation</b>	<b>565</b>	<b>9,829</b>	<b>10,394</b>
Finance costs	(24)	(36)	(60)
<b>Net return before taxation</b>	<b>541</b>	<b>9,793</b>	<b>10,334</b>
Taxation (note 4)	(92)	-	(92)
<b>Net return after taxation</b>	<b>449</b>	<b>9,793</b>	<b>10,242</b>
<b>Return per Ordinary share (pence) (note 6)</b>	<b>3.42</b>	<b>74.48</b>	<b>77.90</b>

The total column of this statement represents the profit and loss account of the Company.  
A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses have been reflected in the Condensed Statement of Comprehensive Income.  
All revenue and capital items in the above statement derive from continuing operations.  
The accompanying notes are an integral part of the financial statements.

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Cont'd)

	Six months ended 30 September 2020		
	Revenue £'000	Capital £'000	Total £'000
Gains on investments	-	21,608	21,608
Income (note 2)	807	-	807
Investment management fee (note 11)	(128)	(193)	(321)
Administrative expenses	(214)	(5)	(219)
Exchange (losses)/gains	-	228	228
<b>Net return before finance costs and taxation</b>	<b>465</b>	<b>21,638</b>	<b>22,103</b>
Finance costs	(21)	(31)	(52)
<b>Net return before taxation</b>	<b>444</b>	<b>21,607</b>	<b>22,051</b>
Taxation (note 4)	(81)	-	(81)
<b>Net return after taxation</b>	<b>363</b>	<b>21,607</b>	<b>21,970</b>
<b>Return per Ordinary share (pence) (note 6)</b>	<b>2.65</b>	<b>157.72</b>	<b>160.37</b>

The total column of this statement represents the profit and loss account of the Company. A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses have been reflected in the Condensed Statement of Comprehensive Income. All revenue and capital items in the above statement derive from continuing operations. The accompanying notes are an integral part of the financial statements.

## CONDENSED STATEMENT OF FINANCIAL POSITION (unaudited)

	Note	As at 30 September 2021 (unaudited) £'000	As at 31 March 2021 (audited) £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss		125,206	117,711
<b>Current assets</b>			
Debtors		736	916
Cash at bank and in hand		307	528
		1,043	1,444
<b>Creditors: amounts falling due within one year</b>			
Foreign currency bank loans	7	(11,299)	(11,147)
Other creditors		(229)	(570)
		(11,528)	(11,717)
<b>Net current liabilities</b>		<b>(10,485)</b>	<b>(10,273)</b>
<b>Net assets</b>		<b>114,721</b>	<b>107,438</b>
<b>Share capital and reserves</b>			
Called-up share capital		1,582	1,582
Share premium		6,656	6,656
Capital redemption reserve		2,273	2,273
Capital reserve		102,464	95,169
Revenue reserve		1,746	1,758
<b>Equity shareholders' funds</b>		<b>114,721</b>	<b>107,438</b>
<b>Net asset value per Ordinary share (pence)</b>	9	<b>878.73</b>	<b>807.66</b>

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

## CONDENSED STATEMENT OF CHANGES IN EQUITY (unaudited)

### Six months ended 30 September 2021

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 March 2021	1,582	6,656	2,273	95,169	1,758	107,438
Purchase of Ordinary shares to be held in treasury	-	-	-	(1,774)	-	(1,774)
Return after taxation	-	-	-	9,793	449	10,242
Dividend paid (note 5)	-	-	-	(724)	(461)	(1,185)
<b>Balance at 30 September 2021</b>	<b>1,582</b>	<b>6,656</b>	<b>2,273</b>	<b>102,464</b>	<b>1,746</b>	<b>114,721</b>

### Six months ended 30 September 2020

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 March 2020	1,582	6,656	2,273	72,334	2,361	85,206
Purchase of Ordinary shares to be held in treasury	-	-	-	(1,105)	-	(1,105)
Return after taxation	-	-	-	21,607	363	21,970
Dividend paid (note 5)	-	-	-	(549)	(684)	(1,233)
<b>Balance at 30 September 2020</b>	<b>1,582</b>	<b>6,656</b>	<b>2,273</b>	<b>92,287</b>	<b>2,040</b>	<b>104,838</b>

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

**CONDENSED STATEMENT OF CASH FLOWS (unaudited)**

	Six months ended 30 September 2021 £'000	Six months ended 30 September 2020 £'000
<b>Operating activities</b>		
Net return before taxation	10,334	22,051
Adjustments for:		
Gains on investments	(10,189)	(21,608)
(Decrease)/increase in other creditors	(130)	151
Finance costs	60	52
Expenses taken to capital reserve	3	5
Foreign exchange losses/(gains)	146	(228)
Overseas withholding tax	(92)	(81)
Decrease in accrued dividend income	85	139
Decrease in other debtors	25	11
<b>Net cash inflow from operating activities</b>	<b>242</b>	<b>492</b>
<b>Investing activities</b>		
Purchases of investments	(7,335)	(19,969)
Sales of investments	9,888	21,354
Expenses allocated to capital	(3)	(5)
<b>Net cash inflow from investing activities</b>	<b>2,550</b>	<b>1,380</b>
<b>Financing activities</b>		
Bank and loan interest paid	(59)	(54)
Equity dividend paid	(1,185)	(1,233)
Purchase of own shares to treasury	(1,774)	(1,105)
<b>Net cash outflow from financing activities</b>	<b>(3,018)</b>	<b>(2,392)</b>
<b>Decrease in cash</b>	<b>(226)</b>	<b>(520)</b>
<b>Analysis of changes in cash during the period</b>		
Opening balance	528	1,000
Effect of exchange rate fluctuations on cash held	5	(11)
Decrease in cash as above	(226)	(520)
<b>Closing balance</b>	<b>307</b>	<b>469</b>

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

## NOTES TO THE ACCOUNTS (unaudited)

1. **Accounting policies - Basis of accounting.** The condensed financial statements have been prepared in accordance with Financial Reporting Standard 104 'Interim Financial Reporting' and with the Statement of Recommended Practice for 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

The Half-Yearly financial statements have been prepared using the same accounting policies applied as the preceding annual financial statements, which were prepared in accordance with Financial Reporting Standard 102.

### 2. Income

	Six months ended 30 September 2021 £'000	Six months ended 30 September 2020 £'000
Overseas dividends	917	807
Total income	<b>917</b>	<b>807</b>

3. **Transaction costs.** During the period expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. Expenses incurred in acquiring investments have been expensed through capital and are included within administration expenses in the Condensed Statement of Comprehensive Income, whilst expenses incurred in disposing of investments have been expensed through capital and are included within gains on investments in the Condensed Statement of Comprehensive Income. The total costs were as follows:

	Six months ended 30 September 2021 £'000	Six months ended 30 September 2020 £'000
Purchases	3	5
Sales	2	5
	<b>5</b>	<b>10</b>

The above transaction costs are calculated in line with the AIC SORP. The transaction costs in the Company's Key Information Document are calculated on a different basis and in line with the PRIIPs regulations.

4. **Taxation.** The taxation charge for the period represents withholding tax suffered on overseas dividend income.

### 5. Dividends

	Six months ended 30 September 2021 £'000	Six months ended 30 September 2020 £'000
<b>Prior year final dividend</b>		
Paid from revenue (2021 - 3.5p; 2020 - 5.0p)	461	684
Paid from capital (2021 - 5.5p; 2020 - 4.0p)	724	549
	<b>1,185</b>	<b>1,233</b>

An interim dividend of 6.0p for the year to 31 March 2022 (2021 - 6.0p) will be paid on 30 December 2021 to shareholders on the register on 3 December 2021. The ex-dividend date will be 2 December 2021.

## 6. Return per Ordinary share

	Six months ended 30 September 2021 £'000	Six months ended 30 September 2020 £'000
Based on the following figures:		
Revenue return	449	363
Capital return	9,793	21,607
<b>Total return</b>	<b>10,242</b>	<b>21,970</b>
<b>Weighted average number of Ordinary shares in issue</b>	<b>13,147,309</b>	<b>13,699,382</b>
<b>Total net return per share (p)</b>	<b>77.90</b>	<b>160.37</b>

## 7. Foreign currency bank loan

		As at 30 September 2021 £'000	As at 31 March 2021 £'000
Falling due within one year		11,299	11,147
<b>Revolving credit facility Japanese Yen loan</b>	Amount £'000	2,658	2,624
	JPY'000	400,000	400,000
	Interest rate (%)	0.9500	0.9500
<b>Short term Japanese Yen loan</b>	Amount £'000	8,641	8,523
	JPY'000	1,300,000	1,300,000
	Interest rate (%)	0.9000	0.9000

The revolving credit facility loan is drawn down from the JPY1,000,000,000 one year revolving credit facility with ING Bank entered into in January 2021 and which matures in January 2022.

The short term loan is drawn from the JPY1,300,000,000 one year credit facility with ING Bank entered into in January 2021 and which matures in January 2022.

## 8. Analysis of changes in net debt

	At 31 March 2021 £'000	Currency differences £'000	Cash flows £'000	Non-cash movements £'000	At 30 September 2021 £'000
Cash and short term deposits	528	5	(226)	-	307
Debt due within one year	(11,147)	(151)	-	(1)	(11,299)
	<b>(10,619)</b>	<b>(146)</b>	<b>(226)</b>	<b>(1)</b>	<b>(10,992)</b>
	At 31 March 2020 £'000	Currency differences £'000	Cash flows £'000	Non-cash movements £'000	At 30 September 2020 £'000
Cash and short term deposits	1,000	(11)	(520)	-	469
Debt due within one year	(12,698)	238	-	-	(12,460)
	<b>(11,698)</b>	<b>227</b>	<b>(520)</b>	<b>-</b>	<b>(11,991)</b>

A statement reconciling the movement in net funds to the net cash flow has not been presented as there are no differences from the above analysis.

#### 9. Net asset value per Ordinary share

	<b>As at 30 September 2021</b>	<b>As at 31 March 2021</b>
Attributable net assets (£'000)	114,721	107,438
Number of Ordinary shares in issue	13,055,303	13,302,459
<b>Net asset value per Ordinary share (p)</b>	<b>878.73</b>	<b>807.66</b>

#### 10. Fair value hierarchy. FRS 102 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 shall have the following classifications:

Level 1: unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

All of the Company's investments are in quoted equities (31 March 2021 - same) which are actively traded on recognised stock exchanges, with their fair value being determined by reference to their quoted bid prices at the reporting date. The total value of the investments as at 30 September 2021 of £125,206,000 (31 March 2021 - £117,711,000) has therefore been deemed as Level 1.

#### 11. Transactions with the Manager. The Company has agreements with Aberdeen Standard Fund Managers Limited for the provision of investment management, secretarial, accounting and administration and promotional activity services.

The management fee is payable monthly in arrears at a rate of 0.75% per annum on the lesser of the Company's net asset value or market capitalisation. The investment management fee is chargeable 40% to revenue and 60% to capital. During the period £356,000 (30 September 2020 – £321,000) of investment management fees were payable to the Manager, with a balance of £66,000 (30 September 2020 – £215,000) being outstanding at the period end.

The promotional activities fee is based on a current annual amount of £51,000 (30 September 2020 - £51,000 per annum), payable quarterly in arrears. During the period £26,000 (30 September 2020 - £26,000) of fees were payable to the Manager, with a balance of £13,000 (30 September 2020 - £26,000) being outstanding at the period end.

#### 12. Segmental information. The Company is engaged in a single segment of business, which is to invest in equity securities and debt instruments. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based on the Company as one segment.

#### 13. Subsequent events. Following the period end, the Company purchased a further 94,864 Ordinary shares at a cost of £710,000. As at the date of this Report there were 12,960,439 Ordinary shares in issue and 2,861,133 Ordinary shares held in treasury.

#### 14. The financial information contained in this Half-Yearly Financial Report does not constitute statutory accounts as defined in Sections 434 - 436 of the Companies Act 2006. The financial information for the six months ended 30 September 2021 and 30 September 2020 has not been audited by the Company's independent auditor.

The information for the year ended 31 March 2021 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditor on those accounts contained no qualification or statement under Section 498 of the Companies Act 2006.

15. This Half-Yearly Report was approved by the Board on 24 November 2021.

## ALTERNATIVE PERFORMANCE MEASUREMENTS

Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes FRS 102 and the AIC SORP. The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies.

Total return. NAV and share price total returns show how the NAV and share price has performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. NAV total return involves investing the net dividend in the NAV of the Company with debt at fair value on the ex-dividend date. Share price total return involves reinvesting the net dividend in the share price of the Company on the ex-dividend date.

The tables below provide information relating to the NAVs and share prices of the Company on the dividend reinvestment dates during the six months ended 30 September 2021 and the year ended 31 March 2021 and total return for the periods.

Value as at:	Dividend rate	NAV	Share price
31 March 2021	N/A	807.66p	727.50p
24 June 2021	9.00p	779.62p	690.00p
30 September 2021	N/A	878.73p	805.00p
<b>Total return for the six months ended 30 September 2021</b>		<b>+10.1%</b>	<b>+12.1%</b>

Value as at:	Dividend rate	NAV	Share price
31 March 2020	N/A	617.09p	550.00p
2 July 2020	9.00p	718.97p	642.50p
3 December 2020	6.00p	826.50p	735.00p
31 March 2021	N/A	807.66p	727.50p
<b>Total return for the year ended 31 March 2021</b>		<b>+33.5%</b>	<b>+35.2%</b>

**Discount to net asset value per Ordinary share.** The difference between the share price and the net asset value per Ordinary share expressed as a percentage of the net asset value per Ordinary share.

		30 September 2021	31 March 2021
NAV per Ordinary share (p)	a	878.73	807.66
Share price (p)	b	805.00	727.50
Discount	(a-b)/a	8.4%	9.9%

**Net gearing.** Net gearing measures the total borrowings less cash and cash equivalents divided by shareholders' funds, expressed as a percentage. Under AIC reporting guidance cash and cash equivalents includes net amounts due from and to brokers at the year end as well as cash and short term deposits.

		30 September 2021	31 March 2021
Borrowings (£'000)	a	11,299	11,147
Cash (£'000)	b	307	528
Amounts due to brokers (£'000)	c	-	214
Amounts due from brokers (£'000)	d	55	129
Shareholders' funds (£'000)	e	114,721	107,438
<b>Net gearing</b>	(a-b+c-d)/e	<b>9.5%</b>	<b>10.0%</b>

**Ongoing charges.** The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and administrative expenses and expressed as a percentage of the average net asset values throughout the year. The ratio for 30 September 2021 is based on forecast ongoing charges for the year ending 31 March 2022.

	<b>30 September 2021</b>	<b>31 March 2021</b>
Investment management fees (£'000)	750	687
Administrative expenses (£'000)	403	437
Less: non-recurring charges (£000){A}	(2)	(27)
Less: transaction costs on investment purchases (£'000)	(3)	(14)
<b>Ongoing charges (£'000)</b>	<b>1,148</b>	<b>1,083</b>
<b>Average net assets (£'000)</b>	<b>110,858</b>	<b>103,977</b>
<b>Ongoing charges ratio</b>	<b>1.04%</b>	<b>1.04%</b>

{A} Comprises legal and professional fees which are not expected to recur.

The ongoing charges ratio provided in the Company's Key Information Document is calculated in line with the PRIIPs regulations which amongst other things, includes the cost of borrowings and transaction costs.