

# Aberdeen Japan Investment Trust PLC

Japan specialists investing in exceptional companies



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## General

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## 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.

## Highlights and Financial Calendar

	As at 30 September 2018	As at 31 March 2018	Change %
Total assets (£'000) <sup>A</sup>	113,130	111,863	1.1
Total equity shareholders' funds (£'000)	101,656	100,472	1.2
Net asset value per share	694.4p	682.3p	1.8
Share price (mid-market)	602.5p	582.5p	3.4
Share price discount to net asset value	13.2%	14.6%	
Net gearing <sup>B</sup>	10.0%	10.5%	
Dividend paid per share <sup>C</sup>	5.20p	6.00p	
Ongoing charges <sup>D</sup>	1.07%	1.18%	

<sup>A</sup> Excludes foreign currency bank loans of £11,474,000 (31 March 2018 – £11,391,000).

<sup>B</sup> Considered to be an Alternative Performance Measure. Further details can be found on page 18.

<sup>C</sup> Dividend for the year ended 31 March 2018 was 5.20p (2017 – 6.00p) per share.

<sup>D</sup> Considered to be an Alternate Performance Measure. Ongoing charges ratio calculated in accordance with guidance issued by the AIC as the total of the investment management fee and administrative expenses (annualised) divided by the average cum income net asset value throughout the year. The ratio for 30 September 2018 is based on forecast ongoing charges for the year ending 31 March 2019. Further details can be found on page 18.

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

	Six months ended 30 September 2018	Year ended 31 March 2018
Share price <sup>B</sup>	+4.3%	+7.5%
Net asset value per share <sup>B</sup>	+2.5%	+12.6%
Index <sup>C</sup>	+7.7%	+8.2%

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

<sup>B</sup> Considered to be an Alternative Performance Measure. Further details can be found on page 18.

<sup>C</sup> Index represents the TOPIX.

## Financial Calendar

27 November 2018	Announcement of unaudited Half-Yearly Financial Report
December 2018	Half-Yearly Report posted to shareholders
May 2019	Announcement of results for the year ending 31 March 2019
June 2019	Annual Report posted to shareholders
July 2019	Annual General Meeting

# Interim Board Report - Chairman's Statement

## Performance

The Company's net asset value (NAV) rose by 2.5%, underperforming the Company's Topix benchmark, which rose 7.7% on a total return basis. The currency hedge, which has been discontinued, reduced performance by 0.5%. The Ordinary Share price total return rose by 4.3% as the discount to NAV per Ordinary share narrowed from 14.6% to 13.2% at 30 September 2018. As at 23 November 2018, the discount was 12.5%. Details of the Company's performance over the six month period are explained in the Investment Manager's Review on page 4.

The Japanese stockmarket is characterised by less research coverage than other major markets. The Manager invests after extensive due diligence and regular engagement with the management. Your Manager will only invest in companies they believe they understand and can assess their value. This should lead to a better outcome in the long term. Since the change in the Company's mandate in October 2013, NAV performance has been 93%, posting a sterling outperformance versus the benchmark of 8% in total return terms.

## Board Composition

As reported in the 2018 Annual Report I assumed the chairmanship of the Company following the AGM, which was held in July 2018. Neil Gaskell, who I should like to thank on behalf of the Board and all shareholders for his most able and diligent service to the Company, will remain as a director of the Board until his replacement has been appointed.

## Overview

The half-year under review saw a return of stockmarket volatility worldwide. China and the US are key economies for Japanese companies. The trade rift between the two has had an impact. The liquidity squeeze on the US dollar caused by tax reforms that encouraged American companies to repatriate their earnings and the Federal Reserve's actions has also relatively strengthened the US stockmarket.

Japan's long period of relatively stable economic growth suffered a set-back in the first quarter of 2018 but subsequently recovered in the second-quarter when GDP growth estimates were upgraded, underpinned by capital investment from non-financial companies and the manufacturing sector. The unemployment rate reached its lowest level since the 1990s and has had the effect of encouraging investment in labour saving technologies.

Prime Minister Shinzo Abe won a third term as leader of the incumbent Liberal Democratic Party, giving him the opportunity to be the longest-serving prime minister in Japanese history and to continue to pursue his reflationary policies. His re-election provides both political stability and

clarity for investors. A free trade deal was signed with the European Union which should allow Japanese companies to compete on a more even footing.

## Dividend

A final dividend of 5.2p per ordinary share in respect of the year ended 31 March 2018 (2017 – 6.0p) was paid to shareholders on 13 July 2018. This was the level required to maintain investment company status, consistent with the Company's dividend policy.

## Gearing

The Company continued to make use of its capacity to gear through the Yen 1.3 billion fixed term and Yen 1.0 billion floating rate facilities 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 2018 was 10.0% (31 March 2018: 10.5%).

## Discounts and Share Buybacks

The Board 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 ongoing investors. During the six month period, 85,000 shares were bought back into treasury at a cost of £499,000.

## Outlook

Although the sentiment for the Japanese stockmarket has turned sharply down recently, compounded by nervous foreign investors, the fundamentals of your Company's portfolio of underlying stocks have not changed measurably. Your Manager's choice of holdings, particularly those that are market leaders in their respective industries, should continue to perform. They are major industry players led by well-tested management and backed by healthy balance sheets. With the recent bouts of indiscriminate selling, valuations – particularly for those quality companies that are still robust – may have fallen to attractive levels. This should enable your Manager to unearth good companies that have been overlooked.

While your Company's portfolio tends to underperform in rising markets because of its defensiveness, the reverse is also true. This means that in more challenging periods, the portfolio should exhibit a greater degree of resilience when markets are faltering. The Manager's bottom-up stock picking approach and on-the-ground presence in Tokyo, should continue to allow it to find good quality companies to engage with, invest in, and enhance the Company's investment portfolio.

## Karen Brade

Chairman

26 November 2018

# Interim Board Report – Other Matters

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## 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 principal risks and uncertainties facing the Company have been identified as follows:

- Investment strategy risk
- Investment risk
- Reputation
- Regulatory compliance risk
- Performance risk
- Share price and discount risk

The principal risks have not changed since the publication of the 2018 Annual Report and Accounts and further details of these risks are provided on pages 10 to 11 of that Report which is available on the Company's website [www.aberdeenjapan.co.uk](http://www.aberdeenjapan.co.uk).

## 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

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 Board has set limits for borrowing, foreign exchange contract positions with regards to hedging and regularly reviews actual exposures, cash flow projections and compliance with banking covenants. The Board believe that the Company has adequate resources to continue its operational existence for the foreseeable future. Accordingly, we continue to adopt the going concern basis in preparing the accounts.

## Directors' Responsibility Statement

The Directors are responsible for preparing the Half Yearly Financial Report in accordance with applicable law 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 2018 comprises the Chairman's Statement, Investment Manager's Review, the Board Report (including the Directors' Responsibility Statement) and the condensed set of Financial Statements.

**Karen Brade**  
Chairman  
26 November 2018

# Interim Board Report - Investment Manager's Review

## Overview

The Topix index rose 7.7% in the six months under review, buoyed by improving corporate earnings and yen weakness. However, bouts of volatility triggered by the deepening US-China trade divide and signs of slowing global growth constrained these gains, and the index has since fallen into negative territory. Industrial names in particular have come under pressure as orders of capital goods in China have ground to a halt as corporates sit out the uncertainty. Healthcare stocks on the other hand, have outperformed strongly, thanks to their defensive characteristics and a string of approvals for promising drugs.

The economy grew at an annual rate of 3.0% in the April – June 2018 quarter, the fastest pace in more than two years thanks to an upswing in capital expenditure. This upward revision confirmed that the world's third-largest economy had rebounded from a temporary slowdown in the first quarter of 2018 following two years of continuous quarterly expansion. Unemployment fell to a 25-year low, and the tightening labour supply pushed wages higher especially among part-time workers. This in turn has spurred additional investment in labour-saving technologies and IT.

## Portfolio review

The portfolio's net asset value (NAV) total return per share rose by 2.5% in the review period, lagging the benchmark which posted a total return of 7.7% (all in sterling terms). The portfolio's underperformance can be attributed largely to the fallout from rising trade tensions between the US and China. Several of your Company's holdings have substantial exposure to China, an attractive long-term growth market, but the fortunes of our holdings have diverged in the face of an escalating trade war and robust consumption growth.

Fears of a protracted trade war have dampened investment appetite and caused Chinese manufacturers to buy fewer capital goods. This has had a direct impact on two holdings: **Nabtesco**, which makes precision reduction gears that are a key part of industrial robots, as well as **Fanuc**, a leading manufacturer of industrial robots.

Nabtesco, which has 60% of the precision reduction gear market, disappointed investors when it lowered its growth targets due to weaker orders and a softer outlook for the robotics industry. Fanuc, a market leader in the industrial robot market, similarly pointed to trade friction to explain wavering demand. The correction in both companies, however, comes after a very good run in 2017. We believe the longer-term demand for robotics remains firm given that manufacturers globally need to improve efficiency,

product quality and environmental friendliness, and are increasingly adopting robotics technologies to do so.

In contrast, your Company's consumer holdings have fared well in China supported by robust consumption. The sector is also typically a more defensive one, given that demand for basic necessities remains steady regardless of the economic climate. Baby product manufacturer **Pigeon**, whose baby bottles are the most sought after in the Chinese market, posted strong results that beat market expectations. Its profitability in China continues to improve, and it now makes up half of all baby products sold on the e-commerce platform JD.com. Sales also grew in Southeast Asia, North America and domestically. Cosmetics firm **Shiseido** likewise fared well in the past six months, underpinned by robust sales of premium skincare products in Japan, China and in duty-free stores. The firm recently launched a global make-up range that draws on Japanese aesthetics to build on its core business in skincare.

Strong fundamentals and their relative defensiveness in times of market turmoil proved beneficial for your Company's healthcare holdings. The portfolio's higher exposure to the sector contributed to performance, and amid the rising tide for all healthcare names, it is noteworthy that our stock choices did especially well due to company-specific factors. **Chugai Pharmaceutical**, for instance, presented solid trial results for its haemophilia drug Hemlibra, which was granted breakthrough-therapy status by US authorities. The drug, which significantly improves patients' quality of life by reducing their severe bleeding symptoms, is one step closer to becoming the blockbuster that management envisage. Drugmaker **Shionogi** meanwhile reported robust results, driven by overseas royalty income linked to its key influenza treatment and dividends from its HIV joint venture with GlaxoSmithKline. The market share for the HIV joint venture ViiV has stabilised following a rival product launch in February. ViiV plans to file for US approval for a new regimen that combines its mainstay Tivicay treatment with a generic drug to reduce treatment costs. This should prove popular with health insurance payers and lead to market share gains.

On the domestic front, your Manager is heartened by progress on key corporate governance issues, including higher payouts, gradual unwinding of cross-shareholdings and the voluntary discontinuation of poison pills. Your Company's holdings' efforts to increase board diversity, particularly at **Toyota Motor**, **Komatsu** and **Daikin Industries**, are laudable, as is **SCSK's** decision to shrink its board size to 12 directors from 19. We believe that good governance, company performance and sound capital management are closely linked, and will continue to

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actively engage with managements and boards to control risks and improve returns.

An example of such engagement was with **Japan Exchange Group**, operator of the Tokyo and Osaka stock exchanges. After repeated engagements the company announced its intention to sell down its 5% stake in Singapore Exchange over three years. In a statement, Japan Exchange, which bought the stake in 2007, said the cooperation between the two exchanges is expected to continue in spite of the sale. Many Japanese companies make mutual share purchases to solidify their business relationships. We consider this practice as unnecessary and have called for companies with such holdings to divest from stock holdings unrelated to the group's core business. As well as suppressing returns these cross-shareholdings act as a brake on corporate accountability.

Another such example was **Shin-Etsu Chemical Co**, which announced its largest ever dividend hike in its history. The company's payout ratio remains low at 28%, although the company also issued a long-term payout ratio target of 35%, which leaves room for further dividend hikes. This comes after we have repeatedly engaged with the company to clarify its dividend policy and improve its communication with investors to better reflect the quality of the company in its stock market valuation. The company's decision in recent months to invest some of its ample cash holdings to expand production of silicones and PVCs is encouraging, coming as Chinese competitors struggle under tariffs imposed by the Trump administration and environmental restrictions. At the latest results briefing, management made encouraging comments about the possibility of buybacks. We will continue to engage with the company on topics such as balance sheet efficiency and shareholder returns, as well as a reduction in the number of directors on the company's board.

Environmental and social issues are another focal point for engagement. In a report by a Swedish non-governmental organization, heavy equipment company **Komatsu** and its peers were linked to the use of their equipment at jade mines in Myanmar which were associated with human suffering and environmental degradation. The report acknowledged the manufacturers' limited ability to recall products, but urged the companies to strengthen their human rights due diligence. We have discussed the matter with Komatsu, and urged the company, in a letter to the board, to strengthen its oversight of local sales agents. The company's response so far has been encouraging.

The rise in market volatility over the period has had a silver lining: it enabled us to buy quality stocks that have

seen their valuations fall to attractive levels. One of these is **Misumi Group**, a producer and distributor of industrial components. It offers shorter lead times for custom-made products through a logistics-driven manufacturing process in which finishing factories are sited close to customers. This has allowed the firm to outshine rivals in a fragmented market, and also supports repeat orders and cross-selling opportunities for its standardised-components catalogue business.

**Otsuka**, a systems integrator and office goods supplier, is another new holding with a wide competitive edge. It has an enviable network of more than a million small and medium sized enterprises (SMEs) cultivated over decades, creating a high barrier of entry for competitors. The firm started by selling office supplies, but subsequently cross-sold to customers its higher margin system integration service, which has entrenched its position as a one-stop solutions provider. As SMEs face more resource constraints and adopt technologies more readily, Otsuka's network and cross-selling opportunities will naturally expand.

During the period, we also initiated positions in several other stocks, including **Elecom**, a fabless manufacturer of electronic peripherals with strong product development and inventory management; and **Coca-Cola Bottlers Japan Holdings** which was formed through a merger between the country's two largest bottlers last year. Against these, we exited Concordia Financial Group, given that rising credit costs will erode its profits; Daito Trust due to its deteriorating prospects; and Suruga Bank as its level of governance did not meet our quality requirements.

## Outlook

Japan's stock market has tumbled significantly after the close of the review period. China's moderating economic growth as well as the escalating US-China trade war are casting a shadow over the country's growth prospects, and both the US and China are major buyers of Japanese goods.

In light of these uncertainties, Japanese corporates remain cautious as ever: expansion plans are being slowed, whilst production is gradually shifted elsewhere in light of potentially heavier tariffs on exports from China. At this juncture, we believe it is important to distinguish between shorter-term cyclical issues and the prospects of medium- to longer-term structural growth. Factory automation stocks have fallen on the back of weaker orders, but the needs of an aging demographic and of improved manufacturing quality in China and elsewhere aren't going away. Similarly, the rise of China's middle class puts Japanese products in a favourable position.

## Interim Board Report - Investment Manager's Review continued

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This period of volatility, driven by macro concerns, may provide longer-term investors like us the opportunity to take advantage of more attractive valuations, and we are reviewing our holdings as these macro events unfold. We believe our holdings, which possess structural growth drivers, wide competitive moats, and solid balance sheets, have the resilience to navigate these difficult times.

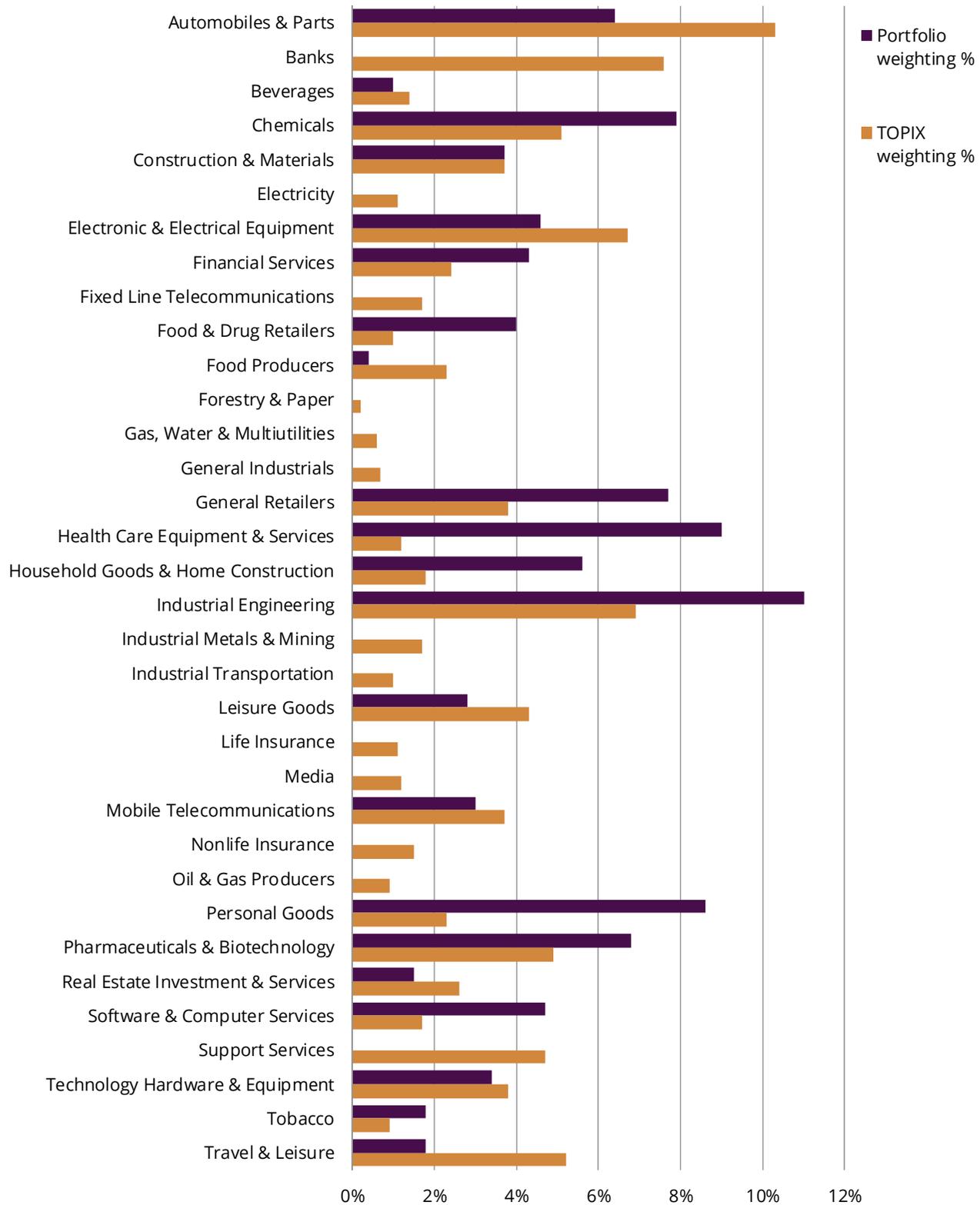
Aberdeen Standard Investments (Japan) Limited  
**Investment Manager**

26 November 2018

# Sector Analysis

As at 30 September 2018

## Sector Breakdown



# Investment Portfolio

As at 30 September 2018

Company	Sector	Valuation £'000	Total assets %
System Corporation	Health Care Equipment & Services	5,150	4.6
Keyence Corporation	Electronic & Electrical Equipment	5,115	4.4
Shin-Etsu Chemical Company	Chemicals	4,618	4.1
Pigeon Corporation	Personal Goods	4,487	4.0
Daikin Industries	Construction & Materials	4,083	3.6
Makita Corporation	Household Goods & Home Construction	3,911	3.5
Shionogi & Company	Pharmaceuticals & Biotechnology	3,883	3.4
Shiseido Company	Personal Goods	3,797	3.4
Chugai Pharmaceutical Company	Pharmaceuticals & Biotechnology	3,686	3.3
Seven & I Holdings Company	General Retailers	3,552	3.1
<b>Top ten investments</b>		<b>42,282</b>	<b>37.4</b>
KDDI Corporation	Mobile Telecommunications	3,389	3.0
Amada Holdings Company	Industrial Engineering	3,134	2.8
Nippon Paint Holdings Company	Chemicals	3,120	2.8
Asahi Intecc Company	Health Care Equipment & Services	3,108	2.7
Yamaha Corporation	Leisure Goods	3,084	2.7
Stanley Electric Company	Automobiles & Parts	2,908	2.6
Nabtesco Corporation	Industrial Engineering	2,870	2.5
Japan Exchange Group Inc.	Financial Services	2,838	2.5
Fanuc Corporation	Industrial Engineering	2,819	2.5
Pilot Corporation	Household Goods & Home Construction	2,348	2.1
<b>Top twenty investments</b>		<b>71,900</b>	<b>63.6</b>
Denso Corporation	Automobiles & Parts	2,166	1.9
AIN Holdings Inc.	Food & Drug Retailers	2,162	1.9
Yahoo Japan Corporation	Software & Computer Services	2,143	1.9
Japan Tobacco Inc.	Tobacco	2,050	1.8
Zozo Inc.	General Retailers	1,994	1.8
Aeon Financial Service Company	Financial Services	1,982	1.8
SCSK Corporation	Software & Computer Services	1,922	1.7
Mani Inc.	Health Care Equipment & Services	1,792	1.6
San-A Company	Food & Drug Retailers	1,646	1.4
Daibiru Corporation	Real Estate Investment & Services	1,632	1.4
<b>Top thirty investments</b>		<b>91,389</b>	<b>80.8</b>
Nitori Holdings	General Retailers	1,592	1.4
Renesas Electronics Corporation	Technology Hardware & Equipment	1,577	1.4
USS Company	General Retailers	1,479	1.3
Mandom Corporation	Personal Goods	1,363	1.2
Otsuka Corporation	Software & Computer Services	1,201	1.1
Hoshizaki Corporation	Industrial Engineering	1,190	1.1
Komatsu	Industrial Engineering	1,166	1.0
Elecom Company	Technology Hardware & Equipment	1,138	1.0
Resorttrust Inc.	Travel & Leisure	1,112	1.0
Coca-Cola Bottlers Japan Holdings Inc.	Beverages	1,106	1.0
<b>Top forty investments</b>		<b>104,313</b>	<b>92.3</b>

<b>Company</b>	<b>Sector</b>	<b>Valuation £'000</b>	<b>Total assets %</b>
Sanken Electric	Technology Hardware & Equipment	1,077	1.0
Honda Motor Company	Automobiles & Parts	1,068	0.9
Kansai Paint Company	Chemicals	1,060	0.9
Toyota Motor Corporation	Automobiles & Parts	1,049	0.9
Misumi Group Inc.	Industrial Engineering	971	0.9
Aeon Fantasy Company	Travel & Leisure	899	0.8
Welcia Holdings Company	Food & Drug Retailers	599	0.5
Calbee Inc.	Food Producers	492	0.4
<b>Total investments</b>		<b>111,528</b>	<b>98.6</b>
<b>Net current assets<sup>A</sup></b>		<b>1,602</b>	<b>1.4</b>
<b>Total assets</b>		<b>113,130</b>	<b>100.0</b>

<sup>A</sup> Excludes bank loans of £11,474,000.

Unless otherwise stated, all investments are equity holdings.

## Condensed Statement of Comprehensive Income (unaudited)

	Six months ended 30 September 2018			Six months ended 30 September 2017		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Gains on investments	-	2,928	2,928	-	952	952
Income (note 2)	826	-	826	878	-	878
Investment management fee (note 11)	(151)	(227)	(378)	(163)	(244)	(407)
Administrative expenses	(171)	(7)	(178)	(166)	(6)	(172)
Exchange (losses)/gains	-	(614)	(614)	-	4,667	4,667
<b>Net return before finance costs and taxation</b>	<b>504</b>	<b>2,080</b>	<b>2,584</b>	<b>549</b>	<b>5,369</b>	<b>5,918</b>
Finance costs	(21)	(32)	(53)	(20)	(30)	(50)
<b>Net return before taxation</b>	<b>483</b>	<b>2,048</b>	<b>2,531</b>	<b>529</b>	<b>5,339</b>	<b>5,868</b>
Taxation (note 4)	(83)	-	(83)	(88)	-	(88)
<b>Net return after taxation</b>	<b>400</b>	<b>2,048</b>	<b>2,448</b>	<b>441</b>	<b>5,339</b>	<b>5,780</b>
<b>Return per Ordinary share (pence) (note 6)</b>	<b>2.73</b>	<b>13.96</b>	<b>16.69</b>	<b>2.94</b>	<b>35.59</b>	<b>38.53</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 2018 £'000	As at 31 March 2018 £'000
<b>Fixed assets</b>			
Investments at fair value through profit or loss		111,528	110,414
<b>Current assets</b>			
Debtors		549	743
Cash at bank and in hand		1,277	881
		1,826	1,624
<b>Creditors: amounts falling due within one year</b>			
Foreign currency bank loans	7	(2,701)	(2,681)
Other creditors		(224)	(175)
		(2,925)	(2,856)
<b>Net current liabilities</b>			
		(1,099)	(1,232)
<b>Total assets less current liabilities</b>			
		110,429	109,182
<b>Creditors: amounts falling due in more than one year</b>			
Foreign currency bank loans	7	(8,773)	(8,710)
<b>Net assets</b>			
		101,656	100,472
<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	8	88,903	87,357
Revenue reserve		2,242	2,604
<b>Equity shareholders' funds</b>			
		101,656	100,472
<b>Net asset value per Ordinary share (pence)</b>			
	9	694.36	682.31

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

## Condensed Statement of Changes in Equity (unaudited)

### Six months ended 30 September 2018

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 March 2018	1,582	6,656	2,273	87,357	2,604	100,472
Purchase of Ordinary shares to be held in treasury	-	-	-	(501)	-	(501)
Return after taxation	-	-	-	2,048	400	2,448
Dividend paid (note 5)	-	-	-	-	(763)	(763)
<b>Balance at 30 September 2018</b>	<b>1,582</b>	<b>6,656</b>	<b>2,273</b>	<b>88,904</b>	<b>2,241</b>	<b>101,656</b>

### Six months ended 30 September 2017

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 March 2017	1,582	6,656	2,273	79,137	2,520	92,168
Purchase of Ordinary shares to be held in treasury	-	-	-	(582)	-	(582)
Return after taxation	-	-	-	5,339	441	5,780
Dividend paid (note 5)	-	-	-	-	(900)	(900)
<b>Balance at 30 September 2017</b>	<b>1,582</b>	<b>6,656</b>	<b>2,273</b>	<b>83,894</b>	<b>2,061</b>	<b>96,466</b>

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

## Condensed Statement of Cash Flows (unaudited)

	Six months ended 30 September 2018 £'000	Six months ended 30 September 2017 £'000
<b>Operating activities</b>		
Net return before finance costs and taxation	2,584	5,918
<i>Adjustments for:</i>		
Gains on investments	(2,928)	(952)
Realised losses/(gains) on foreign exchange transactions	83	(749)
Increase/(decrease) in other creditors	50	(5)
Expenses taken to capital reserve	7	6
Overseas withholding tax	(83)	(88)
Decrease in accrued income	213	179
Decrease in other debtors	2	11
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(72)</b>	<b>4,320</b>
<b>Investing activities</b>		
Purchases of investments	(16,895)	(11,700)
Sales of investments	18,695	11,264
Expenses allocated to capital	(7)	(6)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>1,793</b>	<b>(442)</b>
<b>Financing activities</b>		
Interest paid	(53)	(51)
Dividends Paid	(763)	(900)
Buyback of Ordinary shares for treasury	(501)	(582)
<b>Net cash outflow from financing</b>	<b>(1,317)</b>	<b>(1,533)</b>
<b>Increase in cash</b>	<b>404</b>	<b>2,345</b>
<b>Analysis of changes in cash during the period</b>		
Opening balance	881	1,007
Effect of exchange rate fluctuations on cash held	(8)	(130)
Increase in cash as above	404	2,345
<b>Closing balance</b>	<b>1,277</b>	<b>3,222</b>

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

# Notes to the Financial Statements

## 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.

	Six months ended 30 September 2018 £'000	Six months ended 30 September 2017 £'000
<b>2. Income</b>		
<b>Income from investments</b>		
Overseas dividends	826	878
<b>Total income</b>	<b>826</b>	<b>878</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 2018 £'000	Six months ended 30 September 2017 £'000
Purchases	7	6
Sales	6	3
	<b>13</b>	<b>9</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.

	Six months ended 30 September 2018 £'000	Six months ended 30 September 2017 £'000
<b>5. Dividends</b>		
2017 final dividend – 6.00p	–	900
2018 final dividend – 5.20p	763	–
	<b>763</b>	<b>900</b>

	Six months ended 30 September 2018 £'000	Six months ended 30 September 2017 £'000
<b>6. Return per Ordinary share</b>		
Based on the following figures:		
Revenue return	400	441
Capital return	2,048	5,339
<b>Total return</b>	<b>2,448</b>	<b>5,780</b>
<b>Weighted average number of Ordinary shares in issue</b>	<b>14,671,115</b>	<b>15,002,929</b>
<b>Total net return per share (p)</b>	<b>16.69</b>	<b>38.53</b>

	As at 30 September 2018 £'000	As at 31 March 2018 £'000
<b>7. Foreign currency bank loan</b>		
Falling due within one year	2,701	2,681
Falling due after more than one year	8,773	8,710
	<b>11,474</b>	<b>11,391</b>
<b>Short term Japanese Yen loan</b>		
Amount £'000	2,701	2,681
JPY'000	400,000	400,000
Interest rate (%)	0.7000	0.7000
<b>Long term Japanese Yen loan</b>		
Amount £'000	8,773	8,710
JPY'000	1,300,000	1,300,000
Interest rate (%)	0.7865	0.7865

The short term loan is drawn down from the JPY1,000,000,000 one year rolling credit facility with ING Bank entered into in January 2018.

The long term loan is drawn from the JPY1,300,000,000 two year facility with ING Bank entered into in January 2018.

#### 8. Capital reserve

The capital reserve figure reflected in the Condensed Statement of Financial Position includes investment holdings gains of £30,379,000 (31 March 2018 – £30,893,000).

	As at 30 September 2018	As at 31 March 2018
<b>9. Net asset value per Ordinary share</b>		
Attributable net assets (£'000)	101,656	100,472
Number of Ordinary shares in issue	14,640,227	14,725,277
<b>Net asset value per Ordinary share (p)</b>	<b>694.36</b>	<b>682.31</b>

## Notes to the Financial Statements continued

### 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 (ie developed using market data) for the asset or liability, either directly or indirectly.
- Level 3:** inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

The financial assets and liabilities measured at fair value in the Condensed Statement of Financial Position are grouped into the fair value hierarchy at the reporting date as follows:

		Level 1	Level 2	Level 3	Total
	Note	£'000	£'000	£'000	£'000
<b>As at 30 September 2018</b>					
<b>Financial assets at fair value through profit or loss</b>					
Quoted equities	a)	111,528	-	-	111,528
<b>Net fair value</b>		<b>111,528</b>	<b>-</b>	<b>-</b>	<b>111,528</b>

		Level 1	Level 2	Level 3	Total
	Note	£'000	£'000	£'000	£'000
<b>As at 31 March 2018</b>					
<b>Financial assets at fair value through profit or loss</b>					
Quoted equities	a)	110,414	-	-	110,414
<b>Net fair value</b>		<b>110,414</b>	<b>-</b>	<b>-</b>	<b>110,414</b>

**a) Quoted equities**

The fair value of the Company's investments in quoted equities has been determined by reference to their quoted bid prices at the reporting date. Quoted equities included in Level 1 are actively traded on recognised stock exchanges.

### 11. Transactions with the Manager

The Company has agreements with the Standard Life Aberdeen Group (the "Manager") 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 of the value of the Company's net assets. The investment management fee is chargeable 40% to revenue and 60% to capital. During the period £378,000 (30 September 2017 - £407,000) of investment management fees were earned by the Manager, with a balance of £125,000 (30 September 2017 - £69,000) being payable to the Manager at the period end.

The promotional activities fee is based on a current annual amount of £72,000 (30 September 2017 - £72,000 per annum), payable quarterly in arrears. During the period £36,000 (30 September 2017 - £34,000) of fees were earned, with a balance of £18,000 (30 September 2017 - £18,000) being payable to the Manager 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.

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**13. Subsequent events**

Following the period end, the Company purchased a further 21,106 Ordinary shares at a cost of £114,000. As at the date of this report there were 14,619,121 Ordinary shares in issue and 1,202,451 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 2018 and 30 September 2017 has not been audited.

The information for the year ended 31 March 2018 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 26 November 2018.

## Alternative Performance Measures

### Alternative performance measures

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.

### Total Return

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 is considered to be an alternative performance measure. NAV total return involves investing the same net dividend in the NAV of the Company with debt at fair value on the date on which that dividend was earned. Share price total return involves reinvesting the net dividend in the month that the share price goes ex-dividend.

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 2018 and 30 September 2017.

	Dividend rate	NAV	Share price
<b>30 September 2018</b>			
31 March 2018	N/A	682.31p	582.50p
14 June 2018	5.20p	703.94p	620.00p
30 September 2018	N/A	694.36p	602.50p
<b>Total return</b>		<b>2.5%</b>	<b>4.3%</b>

	Dividend rate	NAV	Share price
<b>30 September 2017</b>			
31 March 2017	N/A	611.41p	547.50p
15 June 2017	6.00p	642.73p	574.50p
30 September 2017	N/A	644.43p	564.50p
<b>Total return</b>		<b>6.4%</b>	<b>4.2%</b>

### Net gearing

Net gearing measures the total borrowings of £11,474,000 (31 March 2018 – £11,391,000) less cash and cash equivalents of £1,277,000 (31 March 2018 – £881,000) divided by shareholders' funds of £101,656,000 (31 March 2018 – £100,472,000), expressed as a percentage.

### Ongoing charges

Ongoing charges is considered to be an alternative performance measure. 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.

	30 September 2018	31 March 2018
Investment management fees (£'000)	759	847
Administrative expenses (£'000)	330	341
Less: transaction costs on investment purchases	(7)	(15)
<b>Ongoing charges (£'000)</b>	<b>1,082</b>	<b>1,173</b>
<b>Average net assets (£'000)</b>	<b>100,836</b>	<b>99,497</b>
<b>Ongoing charges ratio</b>	<b>1.07%</b>	<b>1.18%</b>

The ongoing charges ratio provided in the Company's Key Information Document is calculated in line with the PRIIPs regulations.

# Investor Information

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## Direct

Investors can buy and sell shares in Aberdeen Japan Investment Trust PLC (the “Company”) directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Many have online facilities. Alternatively, for retail clients, shares may be bought directly through Aberdeen Standard Investment Trust Share Plan, Individual Savings Account (“ISA”) or Investment Plan for Children.

## Aberdeen Standard Investment Trust Share Plan

Aberdeen Standard Investments operates an Investment Trust Share Plan (the “Plan”) through which shares in the Company 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 purchases. 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 Aberdeen Standard Investments in writing at any time.

## Aberdeen Standard Investment Trust ISA

Aberdeen Standard Investments operates an Investment Trust ISA (“ISA”) through which an investment made be made of up to £20,000 in the tax year 2018/19.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can, on some occasions, 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.

## Aberdeen Standard Investment Plan for Children

Aberdeen Standard Investments operates an Investment Plan for Children (the “Children’s Plan”) which covers a number of investment companies under its management including the Company. Anyone can invest in the Children’s Plan, including parents, grandparents and family friends (subject to eligibility criteria as stated within terms and conditions). 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 trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on purchases. 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 Aberdeen Standard Investments in writing at any time.

## Nominee Accounts and Voting Rights

In common with other schemes of this type, all investments in Aberdeen Standard Investment Trust Share Plan, Investment Plan for Children and Investment Trust ISA are held in nominee accounts and investors have full voting and other rights of share ownership.

## Dividend Tax Allowance

The annual tax-free personal allowance for dividend income, for UK investors, is £2,000 for the 2018/19 tax year. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with a confirmation of dividends paid by the Company and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder’s responsibility to include all dividend income when calculating any tax liability.

## Keeping You Informed

The Company’s share price appears under the heading ‘Investment Companies’ in the Financial Times and information on the Company may be found on its dedicated website, [www.aberdeenjapan.co.uk](http://www.aberdeenjapan.co.uk).

This provides access to information on the Company’s share price performance, capital structure, London Stock Exchange announcements, current and historic Annual and Half-Yearly Reports, and the latest monthly factsheet on the Company issued by the Manager.

## Investor Information continued

If investors would like details on the Company or literature and application forms on Aberdeen Standard investment trust products please contact:

Aberdeen Standard Investment Trusts  
PO Box 11020  
Chelmsford  
Essex CM99 2DB  
Telephone: 0808 500 00 40  
E-mail: [inv.trusts@aberdeenstandard.com](mailto:inv.trusts@aberdeenstandard.com)  
Website: [invtrusts.co.uk](http://invtrusts.co.uk)

Terms and conditions for the Aberdeen Standard investment trust products can be found under the Literature section of this website.

### Registrar (for direct shareholdings)

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

Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

Tel: 0871 664 0300  
(UK calls cost 10p per minute plus network extras. Lines are open 9.00 am - 5.30 pm, Monday – Friday excluding public holidays)

Tel International: ++44 (0) 371 664 0300  
E-mail: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)  
Website: [www.linkassetservices.com](http://www.linkassetservices.com)

### Pre-investment Disclosure Document (PIDD)

The Alternative Investment Fund Managers Directive ("AIFMD") requires Aberdeen Fund Managers Limited, as the alternative investment fund manager of Aberdeen Japan Investment Trust PLC ("the Company"), to make available to investors certain information prior to such investors' investment in the Company. The AIFMD is intended to offer increased protection to investors in investment products that do not fall under the existing European Union regime for regulation of investment products known as the UCITS regime.

The Company's PIDD is available for viewing on the Company's website.

### Key Information Document ("KID")

The KID relating to the Company and published by the Manager can be found on the Manager's website at: [invtrusts.co.uk/en/investmenttrusts/literature-library](http://invtrusts.co.uk/en/investmenttrusts/literature-library).

### Suitable for Retail/NMPI Status

The Company's shares are intended for investors primarily in the UK (including retail investors), professional-advised private clients and institutional investors who are wanting to benefit from the growth prospects of Japanese companies by investment in a relatively risk averse investment trust and who understand and are willing to accept the risks of exposure to equities. Investors should consider consulting a 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 the shares issued by Aberdeen Japan Investment Trust PLC can be recommended by a financial adviser to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investments (NMPIS) and intends to continue to do so for the foreseeable future.

The Company's shares are excluded from the FCA's restrictions which apply to NMPIS because they are shares in an investment trust.

### Online Dealing providers and platforms

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company, such as self-invested personal pension (SIPP). Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers, which can be found through internet search engines, include:

AJ Bell You Invest; Alliance Trust Savings; Barclays Stockbrokers; Charles Stanley Direct; Halifax Share Dealing; Fidelity Personal Investing; Hargreave Hale; Hargreaves Lansdown; Idealing; Interactive Investor; Selftrade; The Share Centre; Stocktrade.

### Discretionary Private Client Stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker

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visit The Personal Investment Management & Financial Advice Association at: [pimfa.co.uk](http://pimfa.co.uk).

### Financial Advisers

To find an adviser who recommends on investment trusts, visit: [unbiased.co.uk](http://unbiased.co.uk)

### Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:  
Tel: 0800 111 6768 or at [fca.org.uk/firms/systems-reporting/register/search](http://fca.org.uk/firms/systems-reporting/register/search)  
Email: [register@fca.org.uk](mailto:register@fca.org.uk)

### Investor Warning: Be alert to share fraud and boiler room scams

Aberdeen has been contacted by investors informing that they have received telephone calls and emails from people who have offered to buy their investment company shares, purporting to work for Aberdeen Standard Investments or for third party firms. Aberdeen has also been notified of emails claiming that certain investment companies under its management have issued claims in the courts against individuals. These may be scams which attempt to gain investors' personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from them is required to release the supposed payment for their shares.

These callers/senders do not work for Aberdeen Standard Investments and any third party making such offers/claims has no link with Aberdeen Standard Investments. Aberdeen Standard Investments does not 'cold-call' investors in this way. If you 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 on the 'Contact Us' page.

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams:  
<http://www.fca.org.uk/consumers/scams>

The above information has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

### 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.

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.

# Corporate Information

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## Directors

Karen Brade, Chairman  
Neil Gaskell  
Kevin Pakenham  
Sir David Warren

## Manager, Secretary and Registered Office

### Alternative Investment Fund Manager

Aberdeen Fund Managers Limited  
Bow Bells House  
1 Bread Street  
London EC4M 9HH

Authorised and regulated by the Financial Conduct Authority

Website: [www.aberdeen-asset.com](http://www.aberdeen-asset.com)

### Investment Manager

Aberdeen Standard Investments (Japan) Limited

### Secretary and Registered Office

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

## Company Registration Number

03582911

## Foreign Account Tax Compliance Act ("FATCA") Registration Number (GIIN)

IRS Registration Number (GIIN): QHB2WK.99999.SL.826

## Legal Entity Identifier ("LEI")

5493007LN438OBLNLM64

## Website

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

## Depository

BNP Paribas Securities Services, London Branch

## Independent Auditor

KPMG LLP

## Lawyers

Dentons UKMEA LLP  
One Fleet Place  
London EC4M 7WS

## Bankers

ING N. V. London Branch

## Stockbrokers

JPMorgan Securities Limited  
25 London Wall  
London EC2Y 5AJ

## Points of Contact

### Manager

Customer Services Department: 0808 00 00 40  
(open Monday - Friday, 9am - 5pm)  
Email: [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com)

### Registrars

Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

Tel: 0871 664 0300

(Calls cost 10p per minute plus network extras. Lines are open 9.00 am - 5.30 pm, Monday - Friday)

Tel International: +44 (0) 371 664 0300

E-mail: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)

Website: [www.linkassetsservices.com](http://www.linkassetsservices.com)







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