

Japanese

Japanese

JPMorgan Fleming Japanese Investment Trust plc

INTERIM REPORT FOR THE SIX MONTHS ENDED 31ST MARCH 2006

Six Month Performance

**TOTAL RETURNS (capital plus income)
for the six months to 31st March 2006**

+23.4% Return to shareholders¹

+29.5% Return on net assets²

+20.6% Benchmark return^{3,4}

	31st MARCH 2006	30th SEPT 2005	% CHANGE
FINANCIAL DATA			
Total net assets (£'000)	650,442	504,289	+29.0
Number of shares in issue	185,801,919	185,801,919	
Net asset value per ordinary share	350.1p	271.4p	+29.0
Ordinary share price	324.5p	263.0p	+23.4
Discount of share price to net asset value per share	7.3%	3.1%	

¹Change in share price with net dividends (if any) reinvested.
(Source: Standard & Poor's – www.funds-sp.com).

²Change in net asset value ("NAV") per share with net dividends (if any) reinvested. (Source: Fundamental Data – www.funddata.com). NAV total returns are now calculated on a bid to bid basis. Historic NAVs have been adjusted to a bid basis by using an average factor compiled from the previous 12 month end valuations. This adjustment may vary from that shown in the accounts. The movement in NAV in the table above is based on the NAV as stated in the accounts for the year ended 30th September 2005. This NAV has not been restated for the adoption of bid prices and therefore the returns will differ.

³Change in the index adjusted to include net dividends (if any) reinvested.
(Source: Datastream).

⁴The Company's benchmark is the Tokyo Stock Exchange 1st Section (TOPIX) in Sterling terms. Comparison of the Company's performance is made with this benchmark. The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not track this benchmark and consequently, there may be some divergence between its performance and that of the Company.

Chairman's Interim Review

Performance

Over the six months to 31st March 2006, the Tokyo Stock Exchange First Section (TOPIX) Index rose by 20.6%, whilst your Company achieved a total return on net assets of 29.5%, an outperformance of 8.9%. Following on from the positive returns achieved over the year to 30th September 2005, these results are extremely pleasing and reflect the conviction with which your Managers have viewed the Japanese market in recent times. The background against which the Company performed is discussed in more detail in the Investment Manager's Report on page 3.

Board

During the period under review, Blaise Hardman, who has been a Director and Chairman of the Audit Committee since 1996, decided to retire. The Directors would like to thank Blaise for the outstanding contribution he has made during his time on the Board and wish him well for the future. Blaise was replaced by Alan Barber who I am delighted to welcome to the Board. Alan has a wealth of investment trust experience and was previously a Partner at auditors KPMG for 25 years. Alan will serve the Board as Chairman of the Audit Committee and I am confident that he will make a significant contribution to the Board's future deliberations.

Investment Manager

Jonathan Dobson, who has assisted in running the Company's portfolio since June 2001, resigned from JPMorgan Asset Management on 27th February 2006. Stephen Mitchell, who has been the lead investment manager since 1997, has assumed sole responsibility for managing the investment portfolio.

Outlook

In my year end statement I commented that the prolonged stagnation of the Japanese economy might be coming to an end. Certainly the performance of the stock market, and your Company's results over the last eighteen months, notwithstanding the recent correction in stock valuations, seem to bear this out. The Managers are convinced that economic growth is sustainable and are particularly encouraged by the re-election of Prime Minister Koizumi, falling unemployment rates and the Bank of Japan's recent decision to end its "ultra-loose" monetary policy. They are confident that they have identified a significant number of attractively valued companies predominantly in the domestic real estate, finance and services sectors which have the potential to grow their earnings consistently over a number of years.

Jeremy Paulson-Ellis

Chairman

24th May 2006

Investment Manager's Review

Review

In last year's annual report I wrote optimistically that the economic dislocation of the last fifteen years was over, and indeed once again during the six-month review period the Topix All Share index in yen rose 22%, driven up by good earnings. The yen was steady and depreciated just 2.2% against sterling. Global investors agreed with this positive economic analysis, and poured record amounts of capital into Japanese stocks in the October to December quarter. A combination of the re-election of reform-minded Prime Minister Koizumi and good GDP and land price data were the trigger for a very sharp rally in the run up to Christmas. Indeed the market became slightly overheated and subsequently in January and February saw a period of mild consolidation - but the rise resumed in March. Over the three years since March 2003, when the Tokyo stock market bottomed, it has gained a total of 125% in yen terms.

The Company's share price rose 23.4% in sterling terms over the six months, whilst the discount to Net Asset Value ('NAV') remained narrow and closed the period at just 7%. The Company was approximately 15% geared throughout most of the period, the maximum as agreed with the board of directors. This was appropriate given the significant rise in Japanese equities and the steady upward trend in J-REITS (Japanese real estate investment trusts), which compromised 6% of the Company's portfolio.

Performance Commentary

The Company's NAV rose 29.5% in sterling terms over the half-year, 8.9% ahead of the Topix benchmark index return of 20.6%. Nearly all of this gain came in the October to December quarter, due to a significant bias towards companies concentrated in the domestic economy, in real estate, finance and services. However, the January to March period saw smaller companies in particular pause and the NAV rose just 2.4% in the final three months. Gearing had a positive impact on performance, and the Company remained unhedged against the Yen.

The top performing stocks in the Company were dominated by real estate, largely mid- and small-cap names. Urban is a real estate securitisation company, whilst Ardepro and Sun Frontier are in the business of buying and refurbishing condominiums and small office buildings respectively. Six of the top performers were in real estate. The portfolio had a significant bias to this sector, and other "reflation" sectors such as banks, brokers and venture capital. Some profits were realized in these positions after December, and the number of holdings in the Company were diversified and the concentration of the top 10 holdings were reduced, reflecting the wide breadth of the economic recovery.

Other domestic companies such as music producer Avex, wedding services company Take & Give Needs and car park operator Park 24 also contributed. Chinese demand was also a theme as Dowa Mining rose on high metal prices, whilst logistics company Sankyu has set up an excellent distribution network for Japanese manufacturers operating plants in China. The one group of stocks that detracted from performance were those that lend to consumers and small businesses, as the regulator clamped down on the excessively high interest rates being charged. Overall though, the portfolio benefited from the

active positions that the manager took based on a view that the domestic economy was entering a sustainable recovery.

Outlook

The outlook for the Japanese economy remains positive in almost all industries, except consumer electronics, which is suffering from excess capacity. Most recent data releases suggest that the economy is accelerating. The unemployment rate has fallen to 4%, and labour markets in major cities are becoming tight. Housing starts have begun to recover and the widely followed Shoko-Chukin small firm sentiment index is improving. The historic decision by the Bank of Japan at its March meeting to end its ultra-accommodative monetary policy is a clear signal that they believe economic growth is now sustainable once again. Our company visits confirm the underlying strength of the economy, consistent with headline data releases. Importantly, the economy is moving out of deflation, the private sector is experiencing credit creation and bank lending is recovering, which reduces the dependence of the domestic economy on global trends.

The risks to a continuing recovery in the Japanese stock market are primarily exogenous, and not related to its own economy. Fears of commodity price-induced inflation, a slowdown in the Chinese economy, or political tension between the United States and Iran are all factors to be considered. The global economy is enjoying an unusually synchronized period of growth, as the demand from so-called BRICs countries (Brazil, Russia, India and China) is causing shortages of raw materials and energy, triggering a significant wave of investment. Currently these are risks that need monitoring, with the level of US interest rates a key indicator. However, the corporate fundamentals of Japan look very positive as discussed above, and the portfolio still has a significant bias to the domestic economy, with rather fewer positions in global exporters.

Importantly, confidence within Japan is gradually recovering, both in terms of willingness to invest in real estate for the first time in almost fourteen years, and also in terms of companies who now have the assurance to raise their capital expenditure as they have competitive products in which to invest. This is particularly encouraging and an increasing number of companies are raising the financial targets in their medium-term plans, as well as the dividends they pay to their shareholders. The Japanese economy remains a primary beneficiary of the current wave of infrastructure investment by emerging markets and commodity-producing countries, and whilst this trend continues we can be confident that the underlying cyclical and secular trends in this recovery can be sustained and provide solid support for the market going forward. As the labour market is now tightening and thus wages and incomes are starting to gradually rise, it may be possible to see consumption, which accounts for as much as 50% of GDP, start to help drive economic growth as well. This could sustain the economic recovery into 2007, barring any global inflationary shock.

Stephen Mitchell

Investment Manager

24th May 2006

Ten Largest Investments

as at 31st March 2006

Company	Sector	Valuation	
		£' 000	% ¹
Sumitomo Mitsui Financial Group	Banks	18,134	2.5
Sumitomo Trust & Banking	Banks	18,068	2.4
Nikko Cordial	Securities & Commodity Futures	17,292	2.3
Sumitomo Corporation	Wholesale Trade	17,024	2.3
Ardepro	Real Estate	16,776	2.3
Matsui Securities	Securities & Commodity Futures	15,919	2.2
Tokyo Tatemono	Real Estate	15,786	2.1
Suzuki Motor	Transport Equipment	15,108	2.1
Nissan Motor	Transport Equipment	14,486	2.0
Mitsui & Co	Wholesale Trade	14,337	1.9
Total		162,930	22.1

¹Based on total assets less current liabilities of £738.4m, other than loan balances falling due within 1 year.

As at 30th September 2005, the value of the ten largest investments amounted to £165,487,000 representing 32.8% of total assets less current liabilities .

Analysis of the Portfolio

	31st March 2006		31st March 2005	
	Portfolio	Benchmark	Portfolio	Benchmark
	%	%	%	%
Processing	33.1	41.3	39.7	43.3
Transportation Equipment	7.3	9.4	12.1	10.5
Machinery	6.5	4.4	1.5	4.0
Electrical Machinery	5.3	13.4	6.1	12.3
Wholesale	5.1	4.5	4.9	4.4
Services	4.5	1.6	6.2	1.7
Other Products	2.7	1.7	2.4	1.6
Communication	1.7	5.1	5.8	7.6
Precision Instruments	—	1.2	0.7	1.2
Assets	21.0	8.3	18.2	7.5
Real Estate	17.4	2.6	16.2	2.0
Other Assets	3.6	5.7	2.0	5.5
Financial	20.4	18.6	9.0	16.2
Consumer	17.2	13.4	24.8	14.6
Other Financing Business	9.1	2.7	16.2	3.0
Retail Trade	6.7	4.4	6.4	4.8
Other Consumer	1.4	6.3	2.2	6.8
Basic	8.3	14.9	8.3	14.7
Utilities	—	3.5	—	3.7
	100.0	100.0	100.0	100.0

Based on Total Equity Assets of £744.9m (2005: £574.9m)

Income Statement

(Unaudited)

for the six months ended 31st March 2006

	Six months to 31st March 2006			Six months to 31st March 2005			Year to 30th September 2005		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	Return	Return	Return	Return	Return	Return	Return	Return	Return
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Realised gains on investments	—	52,709	52,709	—	9,067	9,067	—	31,008	31,008
Unrealised gains on investments	—	92,943	92,943	—	24,199	24,199	—	77,306	77,306
Net currency (losses)/gains on cash and short-term deposits held during the year	—	(1,233)	(1,233)	—	(282)	(282)	—	356	356
Realised gains on currency hedge	—	—	—	—	—	—	—	1	1
Realised loss on currency future	—	(430)	(430)	—	—	—	—	—	—
Unrealised currency gain on Yen loans	—	1,415	1,415	—	794	794	—	161	161
Realised currency losses on repayment on Yen loans	—	—	—	—	—	—	—	(178)	(178)
Other capital items	—	1	1	—	(1)	(1)	—	(9)	(9)
Overseas dividends	3,887	—	3,887	2,333	—	2,333	4,983	—	4,983
Stocklending fees	607	—	607	529	—	529	1,547	—	1,547
Deposit interest	4	—	4	3	—	3	7	—	7
Gross revenue and capital return	4,498	145,405	149,903	2,865	33,777	36,642	6,537	108,645	115,182
Management fee	(355)	(1,419)	(1,774)	(281)	(1,124)	(1,405)	(571)	(2,285)	(2,856)
Other administrative expenses	(259)	—	(259)	(244)	—	(244)	(439)	—	(439)
Net return before finance costs and taxation	3,884	143,986	147,870	2,340	32,653	34,993	5,527	106,360	111,887
Finance costs	(47)	(189)	(236)	(34)	(136)	(170)	(66)	(265)	(331)
Net return before taxation	3,837	143,797	147,634	2,306	32,517	34,823	5,461	106,095	111,556
Taxation	(272)	—	(272)	(163)	—	(163)	(349)	—	(349)
Total return on ordinary activities after taxation	3,565	143,797	147,362	2,143	32,517	34,660	5,112	106,095	111,207
Return per ordinary share	1.92p	77.39p	79.31p	1.15p	17.50p	18.65p	2.75p	57.10p	59.85p

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year. The total column of this statement is the profit and loss account of the Company.

Reconciliation of Movements in Shareholders' Funds

(Unaudited)

	Share capital £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000	Other reserve £'000	Total £'000
At 30th September 2004	46,450	2,512	179,034	10,170	(11,875)	166,791	393,082
Net capital return from ordinary activities	—	—	35,980	70,115	—	—	106,095
Net revenue return from ordinary activities	—	—	—	—	5,112	—	5,112
At 30th September 2005	46,450	2,512	215,014	80,285	(6,763)	166,791	504,289
Adjustment to opening shareholders' funds at 1st October 2005 to reflect the adoption of bid prices	—	—	—	(1,209)	—	—	(1,209)
Net capital return from ordinary activities	—	—	93,430	50,367	—	—	143,797
Net revenue return from ordinary activities	—	—	—	—	3,565	—	3,565
At 31st March 2006	46,450	2,512	308,444	129,443	(3,198)	166,791	650,442

Balance Sheet

(Unaudited)

	31st March 2006 £'000	31st March 2005 £'000	30th September 2005 £'000
Assets			
Investments at fair value through profit or loss	744,866	483,057	574,903
Net current liabilities	(94,424)	(55,315)	(70,614)
Total assets less current liabilities	650,442	427,742	504,289
Total net assets	650,442	427,742	504,289
Financed by:			
Ordinary shareholders' funds	650,442	427,742	504,289
Net asset value per ordinary share	350.1p	230.2p	271.4p
Ordinary share price	324.5p	199.5p	263.0p
Discount	7.3%	13.3%	3.1%

Cash Flow Statement

(Unaudited)

	Six months to 31st March 2006 £'000	Six months to 31st March 2005 £'000	Year ended 30th September 2005 £'000
Net cash inflow from operating activities	874	527	2,763
Net cash outflow from returns on investments and servicing of finance	(236)	(112)	(284)
Net cash (outflow)/inflow from capital expenditure and financial investment	(10,821)	4,377	(20,939)
Net cash inflow from financing	11,251	—	17,929
Increase/(decrease) in cash for the period	1,068	4,792	(531)

The results for the year ended 30th September 2005 are a non-statutory version of the full report and accounts for that year, which have been filed with the Registrar of Companies on which the auditors reported under S235 of the Companies Act 1985. The report contained no qualifications or any statement under Section 237 (2) or (3) of the said Act.

Accounting Policies

These interim financial statements have been prepared on the basis of the accounting policies set out in the Company's Annual Report and Accounts dated 30th September 2005, except as stated below.

The Company has adopted certain new accounting policies following the issue of new financial reporting standards (FRSs) and the issue of the revised Statement of Recommended Practice 'Financial statements of investment trust companies' (SORP) by the AITC in December 2005. The effects of these changes are as follows:

Valuation of Investments

Investments are designated as held at 'fair value through profit or loss' in accordance with FRS 26: 'Financial Instruments: Measurement'. Listed investments are valued at bid market prices. This represents a change in accounting policy but, in accordance with paragraph 108D of FRS 26, comparatives have not been restated. In prior periods investments were valued at last traded price. The adoption of bid prices on 1st October 2005 reduced the published value of investments by £1,209,000.

Transaction Costs

For the purpose of these accounts, transaction costs are defined as costs such as stamp duty and broker commissions incurred in the sale and purchase of investments. FRS26 and the SORP require that, where investments are designated as 'fair value through profit or loss', the transaction costs should be disclosed.

Transaction costs on purchases for the six months to 31st March 2006 are £532,000 (30th September 2005: £727,000; 31st March 2005: £361,000). Transaction costs on sales for the six months to 31st March 2006 are £933,000 (30th September 2005: £662,000; 31st March 2005: £331,000).

Information about the Company

Financial Calendar

Financial year end	30th September
Interim results announced	May
Final results announced	November
Dividends on ordinary shares paid	None expected
Annual General Meeting	December

History

The Company was formed in 1927 as The Capital & National Trust Limited. It was a general investment trust until 1982, when its shareholders approved a change of name to The Fleming Japanese Investment Trust plc and the adoption of a policy of specialising in investment in Japan. It is the largest UK investment trust specialising in Japan. The Company adopted its current name in December 2003.

Directors

Jeremy Paulson-Ellis (*Chairman*)

Alan Barber*

Andrew Fleming

David Pearson

Keith Percy

Manager and Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ

Please contact Andrew Norman for company secretarial and administrative matters at the above address, or telephone 0207 742 6000.

Company Numbers

Company registration number: 223583

London Stock Exchange code: 0174002

Bloomberg code: JFJ LN

Reuters code: JFJ.L

Market Information

The Company's net asset value ('NAV') is published daily via the London Stock Exchange.

The Company's shares are listed on the London Stock Exchange. The market price of the shares is shown daily in the Financial Times, The Independent, The Times and The Daily Telegraph, and on the Company website at www.jpmpjapanese.com, where the share price is updated every 15 minutes during trading hours.

Taxation

The Company is managed so as to maintain approval as an investment trust by the Inland Revenue and, as such, is exempt from capital gains tax on profits arising from the sale of its investments.

Share Transactions

The shares may be dealt in directly through a stockbroker or through a professional adviser acting on an investor's behalf. They may also be purchased and held through the JPMorgan Investment Trust Share Plan, Individual Savings Account (ISA), Personal Equity Plan (PEP) and Pension Account.

Savings Product Administrators

For queries on the JPMorgan ISA, PEP, Share Plan or Pension Account, see contact details overleaf.

Registrar

Lloyds TSB Registrars

Reference 1090, The Causeway, Worthing, West Sussex BN99 6DA. Tel: 0870 600 3984

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1090.

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

Brokers

Dresdner Kleinworth Wasserstein, 20 Fenchurch Street, London EC3P 3BB

Auditors

Begbies Everett Chettle, Cromwell House, Fulwood Place, London WC1V 6HZ



A MEMBER OF THE ASSOCIATION
OF INVESTMENT TRUST COMPANIES

*Appointed on 9th February 2006

JPMorgan Helpline

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