

Half Year Report **2011**
JPMorgan Japan Smaller
Companies Trust plc

Half Year Report & Accounts for the six months ended 30th September 2011

Features

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Objective

Long term capital growth through investment in small and medium sized Japanese companies.

Investment Policies

- To maintain a portfolio almost wholly invested in Japan.
- To restrict the Company's Japanese investment universe to all quoted companies excluding the largest 200 measured by market capitalisation.
- To utilise borrowings to enhance shareholder returns.
- To operate a gearing policy for the Company within a range of 90% to 120% invested.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).

Benchmark

S&P/Citigroup Japan Extended Market Index (Total Return Net) in sterling terms. Comparison of the Company's performance is made with the benchmark.

Capital Structure

At 30th September 2011, the Company's share capital comprised 39,456,287 Ordinary shares of 10p each and 7,232,509 Subscription shares of 1p each.

Management Company

The Company employs JF Asset Management Limited ('JFAM') to manage its assets and JPMorgan Asset Management (UK) Limited ('JPMAM') as Secretary.

Half Year Performance

+5.8%

Undiluted return on net assets^{1,2}

+5.0%

Diluted return on net assets^{1,3}

+5.1%

Benchmark return⁴

-4.1%

Return to Ordinary shareholders¹

-7.0%

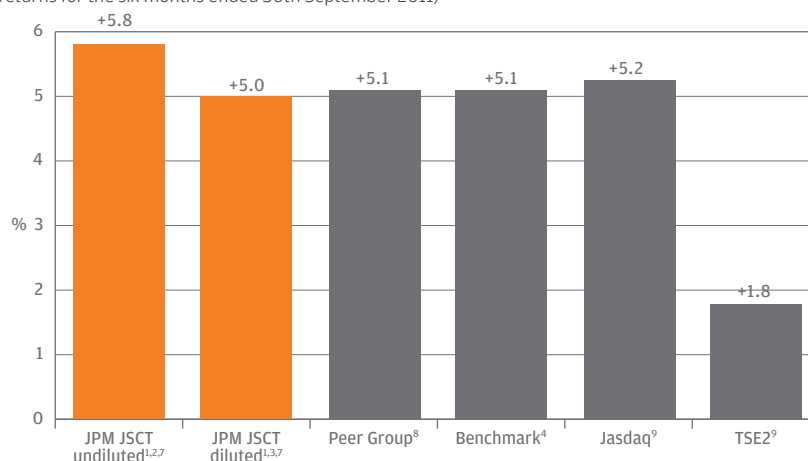
Unit return to shareholders^{1,5}

Financial Data

	30th September 2011	31st March 2011	% change
Shareholders' funds (£'000)	69,355	65,558	+5.8
Ordinary shares in issue ⁶	39,456,287	39,451,925	0.0
Net asset value per Ordinary share	175.8p	166.2p	+5.8
Diluted net asset value per Ordinary share ³	171.3p	163.2p	+5.0
Ordinary share price	139.0p	145.0p	-4.1
Ordinary share price discount to diluted net asset value per Ordinary share	18.9%	11.2%	
Subscription share price	18.1p	41.5p	-56.4
Subscription shares in issue	7,232,509	7,236,871	-0.1

Japanese Smaller Companies Returns

(returns for the six months ended 30th September 2011)



A glossary of terms and definitions is provided on page 17.

¹Source: J.P. Morgan.

²Return on net assets calculated using the undiluted net asset value.

³The diluted net asset value per Ordinary share assumes that all outstanding dilutive Subscription shares were converted into Ordinary shares at the period end and any shares held in Treasury at the period end were reissued in accordance with the Board's policy on the reissuance of Treasury shares.

⁴Source: Datastream. The Company's benchmark is the S&P/Citigroup Japan Extended Market Index (Total Return Net) in sterling terms.

⁵A 'Unit' comprises 5 Ordinary shares and 1 Subscription share.

⁶Excludes nil (31st March 2011: 419,500) shares held in Treasury.

⁷JPMorgan Japan Smaller Companies Trust plc.

⁸Source: Morningstar, Japanese smaller companies sector median.

⁹Source: Bloomberg.

Chairman's Statement



Performance

The first half of our current financial year proved another turbulent period for the Japanese smaller companies market, as concern for the global economy, political uncertainty, the strength of the yen and the repercussions from the earthquake and tsunami dampened investor sentiment. For a change, however, Japanese smaller companies have been one of the better performing markets and the Company's undiluted net asset value rose 5.8% during the period, outperforming the benchmark, the S&P/Citigroup Japan Extended Market Index (total return net), which rose by 5.1%. The diluted total return on net assets, which assumes that all of the Subscription shares were exercised at the current rate of 147 pence per share, rose by 5.0%. Over the same period, the Company's Ordinary share price return fell by 4.1%, reflecting the widening of the discount from 11.2% to 18.9%. Subsequent to the period end, the discount has tightened somewhat and, as at the time of writing, stood at 16.2%.

Gearing

The Company has recently renewed its yen 2.0bn secured credit facility with Scotiabank Europe plc, which gives the Investment Managers the ability to gear tactically. During the six months to 30th September 2011, the Company's gearing ranged from 96% to 112%, reflecting the volatile nature of investor sentiment and the Japanese smaller companies market during the period. At the time of writing, the company was 96% invested.

Subscription Shares

During the six months to 30th September 2011, the Company issued 4,362 new Ordinary shares following valid applications to exercise Subscription shares. At the time of writing, the Company's shares were trading at 136 pence per share, below the current exercise price of 147 pence per share. It should be noted that with effect from 1st April 2012 the exercise price of the Subscription shares increases from 147 pence per share to 174 pence per share. Further details of the Subscription shares can be found on page 16 of this report and on the Company's website at www.jpmmjapanismallercompanies.co.uk

Outlook

The portfolio remains focussed on high quality Japanese companies with good earnings progression, strong balance sheets and, in many cases, exposure to the faster growing economies of Asia. It is encouraging that these sound fundamentals have garnered steady returns over the six months under review and the Board looks forward to continued progress.

Alan Clifton
Chairman

22nd November 2011

Investment Managers' Report



David Mitchinson

The key focus of the Company's portfolio remains very much as last year - Japanese companies that have an opportunity to grow in Asia, those that are reorganising previously inefficient businesses and those that are in structural growth niches within the domestic economy. We performed in-line with the benchmark with exposure to game software, healthcare services and specialist retailers contributing positively. The strengthening yen was an increasingly negative factor for exporters such as car manufacturers, and industrial companies. We have maintained a substantial position in Asian-exposed motorcycle component companies and these positions detracted from performance. The underlying structural demand growth story has not changed however, and we continue to believe that these businesses are very attractively valued.



Nicholas Weindling

The Great East Japan Earthquake

The financial year opened overshadowed by the terrible tragedy of the March earthquake and tsunami. Any initial sense of optimism that the disaster could be a catalyst for change quickly gave way to further disillusionment and the market began a gradual sell-off that continued to the end of the period. The triple disaster in March led to a significant slowdown in the economy as factories shut, supply chains were damaged and power was rationed. Encouragingly, the recovery from this tragedy has been far quicker than many expected and production has now normalised for most companies. Disciplined power consumption during the summer months meant that further significant disruptions were avoided. One key long-term consequence will be a reappraisal of Japan's energy policy, a process that has already begun. A further implication is that companies will be even more likely to move their production facilities overseas.

The Economy

The speed of the global economic recovery following the 2008 Lehman failure has been a disappointment. Unemployment in the United States has remained at historically high levels. The Eurozone crisis has deepened as politicians have failed to deal with many of the key issues. Many countries are proceeding with austerity measures at the same time as economic growth falters. This does not bode well for future growth. By contrast, Asia has remained robust and Japan is fortunate that by geographic chance it is located in the heart of a region undergoing a transformation. Japanese exports to Asia are now larger than to the US and Europe combined and many of the products in demand in these areas are key sectors of Japanese competitive strength.

Currency

The strength of the Japanese yen has been a feature of the last four years. The yen now trades at a multi-year high against many currencies including the US Dollar, the British Pound and the Euro. Against the Pound the exchange rate has moved from Y250 in the middle of 2007 to around Y125 currently. The strength of the yen is important because many of Japan's key competitor nations have very weak currencies. It is remarkable that Japanese manufacturers have dealt so well with their rapidly appreciating currency.

Investment Managers' Report continued

Politics

At the end of August, Yoshihiko Noda was elected Japan's sixth prime minister in five years. He succeeded Naoto Kan, who stepped down under the pressure of his handling of the March earthquake and subsequent nuclear crisis. Furthermore, there have now been eight finance ministers in the last three years. Clearly, this level of turnover of senior politicians is not helpful. However, Japan's bureaucracy is strong and these changes have close to no impact on individual companies.

Portfolio Strategy and Performance

There are many long-term trends in Japan that we analyse to establish a strong framework to identify those companies that will prosper in the long-term. In some cases these trends are unavoidably negative; for example, that the population will fall; deflation is entrenched; and in some areas Japanese companies have lost competitiveness to lower cost, more aggressive rivals in the rest of the Asian region. On the more positive side, we expect trade with Asia to continue to expand and even within the domestic market there are structural shifts, such as the increased shopping online, health care services expansion to meet an ageing population, the rise of mobile gaming and the continued outsourcing of non-core business activities, that are very supportive of growth.

The investments in the portfolio can be broadly divided into three different groups:

- 1) Companies that will grow sales and profits by taking advantage of rapidly expanding markets across the Asian region. There is rapid growth of the middle class across the developing world and this has two main consequences for companies in the portfolio. First, disposable incomes are rising, which means increased demand for many products – rapidly growing penetration of motorcycles in India and Indonesia is driving demand expansion for our auto part companies who supply market leaders Honda, Bajaj and Hero, whilst soaring car production in India continues to bolster Kansai Paint. Secondly, as wages rise there is a greater necessity to automate production and Japan has many globally leading companies in the fields of robotics and factory automation.
- 2) Companies that are exposed to structurally growing sectors domestically and globally. The percentage of online shopping in Japan is some way behind the level we see in other developed markets. We expect that this will change over time and that the environment will become tougher for some traditional retailers, such as department stores, as a result. Kakaku.com and Start Today are key beneficiaries of this trend.

We also anticipate major change in the world of computer games. We no longer expect the majority of people to buy consoles such as the Nintendo Wii or Microsoft Xbox. Rather we think games will be downloaded directly to smart phones, tablet computers and, eventually, televisions. The providers of this content will be key beneficiaries. Companies such as Konami, Namco Bandai and Capcom, amongst others, should benefit.

- 3) Company specific opportunities. We are fortunate to have a large team based on the ground in Tokyo. We conduct many company visits each year - over 2500 company meetings in the last financial year alone - to try to identify significant changes in sectors and companies. One such example of significant change arising is at Daido Metal. This company is the leading global manufacturer of bi-metallic bearings and it has restructured after an overly aggressive expansion into the US market. It is now taking market share at many auto manufacturers, not just those based in Japan. Its gains are derived from its superior technology which has helped bring about dominant positions in large size marine bearings.

It is pleasing to see some of these themes and companies as our main contributors to performance over the last six months. Game software names were notably positive contributors, as were healthcare service names such as Ship Healthcare, and M3. Discount airline operator, Skymark, also continued to benefit from JAL's demise and has posted very strong performance, whilst the position in Trancom, which we have held for some years, continues to make steady progress. On the other hand, cyclical holdings, such as Musashi Seimitsu, Yamato Kogyo and Disco, performed less well due to heightened concerns over the global growth outlook. We do not believe that their long term earnings powers have been in any way diminished and thus we have been adding to some of these positions as and when their valuations have become sufficiently compelling.

Outlook

There are many long-term trends in Japan, both positive and negative. We believe that the differences between those companies that will succeed and those that will not are set to become ever starker. Although there are many domestic and global macro-economic headwinds, which explain the current ungeared position, there are also tailwinds that are boosting many of our holdings - Asian consumer growth, technological revolution, or transforming business models. In a period of weak economic activity these structural shifts become even more important for finding attractive investment opportunities and this is where both our research efforts and our portfolio are concentrated.

David Mitchinson
Nicholas Weindling
Investment Managers

22nd November 2011

List of Investments

at 30th September 2011

Company	Sector	Valuation £'000	Total Assets %
Konami (9766)	Information & Communication	4,505	6.5
Don Quijote (7532)	Retail Trade	3,099	4.5
Ship Healthcare (3360)	Wholesale Trade	2,700	3.9
Osaka Securities Exchange (8697)	Other Financing Business	2,666	3.8
Skymark Airlines (9204)	Air Transportation	2,645	3.8
Trancom (9058)	Warehouse & Harbour Transportation	2,633	3.8
Capcom (9697)	Information & Communication	2,068	3.0
CyberAgent (4751)	Services	2,066	3.0
So-net Entertainment (9684)	Information & Communication	2,040	2.9
M3 (2413)	Services	2,033	2.9
Dr.Ci:Labo (4924)	Chemicals	1,951	2.8
F.C.C. (7296)	Transportation Equipment	1,806	2.7
Musashi Seimitsu Industries (7220)	Transportation Equipment	1,796	2.6
Daido Metal (7245)	Transportation Equipment	1,627	2.3
Nissin Kogyo (7230)	Transportation Equipment	1,541	2.2
Sanrio (8136)	Wholesale Trade	1,487	2.1
Toyo Suisan Kaisha (2875)	Foods	1,450	2.1
Hitachi Transport (9086)	Land Transportation	1,399	2.0
Kakaku.com (2371)	Services	1,391	2.0
Namco Bandai (7832)	Other Products	1,358	2.0
United Technology (2146)	Services	1,310	1.9
Asahi Intecc (7747)	Precision Instruments	1,100	1.6
Autobacs Seven (9832)	Wholesale Trade	1,065	1.6
Nikkiso (6376)	Precision Instruments	1,051	1.5
Aeon Delight (9787)	Services	1,007	1.5
Unipres (5949)	Transportation Equipment	885	1.3
Kansai Paint (4613)	Chemicals	793	1.2
FP International (7947)	Chemicals	771	1.1
Showa Aircraft Industry (7404)	Transportation Equipment	733	1.1
Nippon Seiki (7287)	Transportation Equipment	728	1.0
Start Today (3092)	Retail Trade	719	1.0
Bit- isle (3811)	Retail Trade	719	1.0
Misumi (9962)	Wholesale Trade	707	1.0
NTN (6472)	Machinery	705	1.0
Nifco (7988)	Chemicals	696	1.0
Eagle Industry (6486)	Machinery	673	1.0
Ain Pharmaciez (9627)	Retail Trade	667	1.0

Company	Sector	Valuation £'000	Total Assets %
Chiyoda (6366)	Construction	661	1.0
GMO Payment Gateway (3769)	Information & Communication	656	0.9
U-Shin (6985)	Electric Appliances	637	0.9
THK (6481)	Electric Appliances	612	0.9
Nissin Electric (6641)	Machinery	612	0.9
Kanamoto (9678)	Services	600	0.9
Press Kogyo (7246)	Transportation Equipment	588	0.8
Outsourcing (2427)	Services	582	0.8
Nishio Rent All (9699)	Services	488	0.7
Relo (8876)	Real Estate	477	0.7
Tomoe Engineering (6309)	Machinery	459	0.7
Yamato Kogyo (5444)	Iron & Steel	360	0.5
Sakai Chemical Industry (4078)	Chemicals	355	0.5
Square Enix	Information & Communication	350	0.5
Growell (3141)	Retail Trade	345	0.5
Aichi (6345)	Machinery	339	0.5
Prestige International (4290)	Services	336	0.5
Disco (6146)	Machinery	328	0.4
Fuji Seal International (7864)	Other Products	282	0.4
Arealink (8914)	Real Estate	267	0.4
World Intec (2429)	Services	233	0.3
Sawada (8699)	Securities & Commodity Futures	106	0.1
Net current assets		3,092	4.5
Total assets less current liabilities		69,355	100.0

The portfolio comprises entirely equity investments.

Sector Analysis

	at 30th September 2011		at 31st March 2011	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Services	14.5	2.0	14.6	4.4
Transportation Equipment	14.0	9.4	21.9	3.9
Information & Communication	13.8	6.6	2.6	3.9
Wholesale Trade	8.6	5.2	1.6	5.6
Retail Trade	8.0	4.3	7.0	8.1
Chemicals	6.6	6.2	9.3	9.2
Machinery	4.5	4.9	16.5	8.6
Other Financing Business	3.8	0.8	4.3	1.5
Warehouse & Harbour Transportation	3.8	0.2	3.2	0.6
Air Transportation	3.8	0.3	2.7	0.1
Precision Instruments	3.1	1.6	2.4	1.2
Other Products	2.4	1.7	–	2.7
Foods	2.1	3.6	0.3	3.8
Land Transportation	2.0	4.2	–	1.8
Electric Appliances	1.8	13.6	6.6	8.7
Real Estate	1.1	2.4	1.0	7.0
Construction	1.0	2.5	–	4.7
Iron & Steel	0.5	2.0	2.3	2.1
Securities & Commodity Futures	0.1	1.1	1.1	1.0
Banks	–	9.3	–	7.6
Pharmaceuticals	–	5.2	–	2.3
Electric Power & Gas	–	3.2	–	0.4
Insurance	–	2.3	–	0.1
Glass & Ceramics Products	–	1.3	2.2	1.7
Nonferrous Metals	–	1.2	–	2.3
Textiles & Apparels	–	1.0	–	1.9
Oil & Coal	–	0.9	–	0.1
Metal Products	–	0.7	–	1.5
Rubber Products	–	0.8	–	0.8
Mining	–	0.6	1.9	0.2
Pulp & Paper	–	0.4	–	0.9
Marine Transportation	–	0.4	–	0.2
Fishery Agriculture & Forestry	–	0.1	–	0.5
Real Estate Investment Trusts	–	–	–	0.6
Net current assets/(liabilities)	4.5	–	(1.5)	–
Total	100.0	100.0	100.0	100.0

¹Based on total assets less current liabilities of £69.4m (31st March 2011: £65.6m).

Income Statement

for the six months ended 30th September 2011

	(Unaudited) Six months ended 30th September 2011			(Unaudited) Six months ended 30th September 2010			(Audited) Year ended 31st March 2011		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	–	4,495	4,495	–	(11,697)	(11,697)	–	(8,787)	(8,787)
Net foreign currency losses	–	(441)	(441)	–	(1,014)	(1,014)	–	(896)	(896)
Income from investments	555	–	555	543	–	543	1,223	–	1,223
Other interest receivable and similar income	–	–	–	–	–	–	–	–	–
Gross return/(loss)	555	4,054	4,609	543	(12,711)	(12,168)	1,223	(9,683)	(8,460)
Management fee	(494)	–	(494)	(518)	–	(518)	(945)	–	(945)
Other administrative expenses	(188)	–	(188)	(209)	–	(209)	(395)	–	(395)
Net (loss)/return on ordinary activities before finance costs and taxation	(127)	4,054	3,927	(184)	(12,711)	(12,895)	(117)	(9,683)	(9,800)
Finance costs	(97)	–	(97)	(145)	–	(145)	(235)	–	(235)
Net (loss)/return on ordinary activities before taxation	(224)	4,054	3,830	(329)	(12,711)	(13,040)	(352)	(9,683)	(10,035)
Taxation	(39)	–	(39)	(34)	–	(34)	(82)	–	(82)
Net (loss)/return on ordinary activities after taxation	(263)	4,054	3,791	(363)	(12,711)	(13,074)	(434)	(9,683)	(10,117)
(Loss)/return per Ordinary share (note 3)									
– undiluted	(0.67)p	10.27p	9.60p	(0.92)p	(32.23)p	(33.15)p	(1.10)p	(24.55)p	(25.65)p
– diluted	(0.67)p	10.32p	9.65p	(0.93)p	(32.45)p	(33.38)p	(1.11)p	(24.70)p	(25.81)p

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Total column represents all the information that is required to be disclosed in a Statement of Total Recognised Gains and Losses ('STRGL'). For this reason a STRGL has not been presented.

Reconciliation of Movements in Shareholders' Funds

Six months ended 30th September 2011 (Unaudited)	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31st March 2011	4,058	710	314,823	1,794	(243,728)	(12,099)	65,558
Cancellation of shares held in Treasury	(42)	–	–	42	–	–	–
Issue of Ordinary shares on exercise of Subscription shares	–	6	–	–	–	–	6
Net return/(loss) on ordinary activities	–	–	–	–	4,054	(263)	3,791
At 30th September 2011	4,016	716	314,823	1,836	(239,674)	(12,362)	69,355

Six months ended 30th September 2010 (Unaudited)	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31st March 2010	4,012	65	314,823	1,794	(234,045)	(11,665)	74,984
Exercise of Subscription shares into Ordinary shares	(5)	5	–	–	–	–	–
Issue of Ordinary shares on exercise of Subscription shares	51	637	–	–	–	–	688
Net loss on ordinary activities	–	–	–	–	(12,711)	(363)	(13,074)
At 30th September 2010	4,058	707	314,823	1,794	(246,756)	(12,028)	62,598

Year ended 31st March 2011 (Audited)	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31st March 2010	4,012	65	314,823	1,794	(234,045)	(11,665)	74,984
Exercise of Subscription shares into Ordinary shares	(5)	5	–	–	–	–	–
Issue of Ordinary shares on exercise of Subscription shares	51	640	–	–	–	–	691
Net loss on ordinary activities	–	–	–	–	(9,683)	(434)	(10,117)
At 31st March 2011	4,058	710	314,823	1,794	(243,728)	(12,099)	65,558

Balance Sheet

at 30th September 2011

	(Unaudited) 30th September 2011 £'000	(Unaudited) 30th September 2010 £'000	(Audited) 31st March 2011 £'000
Fixed assets			
Investments held at fair value through profit or loss	66,263	61,950	66,513
Current assets			
Debtors	1,432	648	5,520
Cash and short term deposits	10,305	109	5,593
	11,737	757	11,113
Creditors: amounts falling due within one year	(8,645)	(109)	(12,068)
Net current assets/(liabilities)	3,092	648	(955)
Total assets less current liabilities	69,355	62,598	65,558
Net assets	69,355	62,598	65,558
Capital and reserves			
Called up share capital	4,016	4,058	4,058
Share premium	716	707	710
Other reserve	314,823	314,823	314,823
Capital redemption reserve	1,836	1,794	1,794
Capital reserves	(239,674)	(246,756)	(243,728)
Revenue reserve	(12,362)	(12,028)	(12,099)
Total equity shareholders' funds	69,355	62,598	65,558
Net asset value per Ordinary share (note 4)			
- undiluted	175.8p	158.7p	166.2p
- diluted	171.3p	156.7p	163.2p

The Company's registration number is 3916716

Cash Flow Statement

for the six months ended 30th September 2011

	(Unaudited) Six months ended 30th September 2011 £'000	(Unaudited) Six months ended 30th September 2010 £'000	(Audited) Year ended 31st March 2011 £'000
Net cash outflow from operating activities (note 5)	(1)	(2)	(239)
Net cash outflow from return on investments and servicing of finance	(101)	(175)	(260)
Net cash inflow from capital expenditure and financial investment	10,294	12,337	6,731
Net cash outflow from financing	(6,233)	(14,721)	(3,434)
Increase/(decrease) in cash in the period	3,959	(2,561)	2,798
Reconciliation of net cash flow to movement in net funds/debt			
Net cash movement	3,959	(2,561)	2,798
Net loans repaid	6,239	15,409	4,125
Exchange movements	(441)	(1,014)	(896)
Movement in net funds/debt in the period	9,757	11,834	6,027
Net debt at the beginning of the period	(5,698)	(11,725)	(11,725)
Net funds/(debt) at the end of the period	4,059	109	(5,698)
Represented by:			
Cash and short term deposits	10,305	109	5,593
Debt falling due within one year	(6,246)	–	(11,291)
Net funds/(debt) at the end of the period	4,059	109	(5,698)

Notes to the Accounts

for the six months ended 30th September 2011

1. Financial statements

The information contained within the Financial Statements in this half year report has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 31st March 2011 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in January 2009.

All of the Company's operations are of a continuing nature.

The accounting policies applied in these half year accounts are consistent with those applied in the accounts for the year ended 31st March 2011.

3. (Loss)/return per Ordinary share

	(Unaudited) Six months ended 30th September 2011 £'000	(Unaudited) Six months ended 30th September 2010 £'000	(Audited) Year ended 31st March 2011 £'000
(Loss)/return per Ordinary share is based on the following:			
Revenue loss	(263)	(363)	(434)
Capital return/(loss)	4,054	(12,711)	(9,683)
Total return/(loss)	3,791	(13,074)	(10,117)
Weighted average number of Ordinary shares in issue during the period used for the purpose of the basic (undiluted) calculation	39,455,653	39,443,759	39,447,831
Weighted average number of Ordinary shares in issue during the period used for the purpose of the diluted calculation	39,267,442	39,166,842	39,203,987
Basic (undiluted)			
Revenue loss per Ordinary share	(0.67)p	(0.92)p	(1.10)p
Capital return/(loss) per Ordinary share	10.27p	(32.23)p	(24.55)p
Total return/(loss) per Ordinary share	9.60p	(33.15)p	(25.65)p
Diluted			
Revenue loss per Ordinary share	(0.67)p	(0.93)p	(1.11)p
Capital return/(loss) per Ordinary share	10.32p	(32.45)p	(24.70)p
Total return/(loss) per Ordinary share	9.65p	(33.38)p	(25.81)p

The diluted (loss)/return per Ordinary share represents the (loss)/return on ordinary activities after taxation for the period divided by the weighted average number of Ordinary shares in issue during the period, as adjusted in accordance with the requirements of Financial Reporting Standard 22 'Earnings per share'.

Notes to the Accounts continued

for the six months ended 30th September 2011

4. Net asset value per Ordinary share

	(Unaudited) Six months ended 30th September 2011	(Unaudited) Six months ended 30th September 2010	(Audited) Year ended 31st March 2011
Undiluted			
Ordinary shareholders' funds (£'000)	69,355	62,598	65,558
Number of Ordinary shares in issue	39,456,287	39,450,619	39,451,925
Net asset value per Ordinary share	175.8p	158.7p	166.2p
Diluted			
Ordinary shareholders' funds assuming exercise of dilutive Subscription shares and reissuance of any Treasury shares (£'000)	79,987	73,802	76,893
Number of potential Ordinary shares in issue	46,688,796	47,108,296	47,108,296
Net asset value per Ordinary share	171.3p	156.7p	163.2p

The diluted net asset value per Ordinary share assumes that all outstanding dilutive Subscription shares were converted into Ordinary shares at the period end and any shares held in Treasury at the period end were reissued in accordance with the Board's policy on the reissuance of Treasury shares.

5. Reconciliation of net return/(loss) on ordinary activities before finance costs and taxation to net cash outflow from operating activities

	(Unaudited) Six months ended 30th September 2011 £'000	(Unaudited) Six months ended 30th September 2010 £'000	(Audited) Year ended 31st March 2011 £'000
Total return/(loss) on ordinary activities before finance costs and taxation	3,927	(12,895)	(9,800)
Less capital (return)/loss before finance costs and taxation	(4,054)	12,711	9,683
Decrease/(increase) in accrued income	182	155	(33)
(Decrease)/increase in other debtors	20	19	(1)
(Decrease)/increase in other creditors	(37)	42	(6)
Overseas withholding tax	(39)	(34)	(82)
Net cash outflow from operating activities	(1)	(2)	(239)

Interim Management Report

The Company is required to make the following disclosures in its half year report.

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company fall into the following broad categories: investment and strategy; market; accounting, legal and regulatory; corporate governance and shareholder relations; operational; foreign currency; and financial (including credit risk). Information on each of these areas is given in the Business Review within the Annual Report and Accounts for the year ended 31st March 2011.

Related Parties Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company during the period.

Directors' Responsibilities

The Board of Directors confirms that, to the best of its knowledge:

- (i) the condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with the Accounting Standards Board's Statement 'Half-Yearly Financial Reports'; and
- (ii) the interim management report includes a fair review of the information required by DTR 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

For and on behalf of the Board

Alan Clifton
Chairman

22nd November 2011

Subscription Shares

On 5th March 2009 the Company issued Subscription shares as a bonus issue to the Ordinary shareholders on the basis of one Subscription share for every five Ordinary shares held. Each Subscription share confers the right (but not the obligation) to subscribe for one Ordinary share on any business day during the period from 1st April 2009 to 31st March 2014, after which the rights on the Subscription shares will lapse.

For the purposes of UK taxation, the issue of Subscription shares is treated as a reorganisation of the Company's share capital. Whereas such reorganisations do not trigger a chargeable disposal for the purposes of the taxation of capital gains, they do require shareholders to reallocate the base costs of their Ordinary shares between Ordinary shares and Subscription shares received.

At the close of business on 5th March 2009 the middle market prices of the Company's Ordinary shares and Subscription shares were as follows:

Ordinary shares:	101.75p
Subscription shares:	7p

Accordingly an individual investor who on 5th March 2009 held five Ordinary shares (or a multiple thereof) would have received a bonus issue of one Subscription share (or the relevant multiple thereof) and would apportion the base cost of such holding 98.64% to the five Ordinary shares and 1.36% to the Subscription shares.

Future exercise prices of the Subscription shares have been determined as follows:

If exercised between 1st April 2010 and 31st March 2012 – 147 pence.

If exercised between 1st April 2012 and 31st March 2014 – 174 pence.

Notice of the exercise of the Subscription share rights may be given at any time from 1st April 2009 until 31st March 2014 and the Ordinary shares arising on conversion will be issued within ten business days of the first business day of the calendar month following the month in which the relevant notices are received by the registrars. For further details on how to exercise the Subscription share rights please refer to the Company's website at www.jpmmjapan.com or contact the Secretary on 020 7742 6000.

Glossary of Terms and Definitions

Unit Return to Shareholders

Increase or decrease in the mid-market price of a 'Unit' over the period. A Unit comprises 5 Ordinary shares and 1 Subscription share.

Return to Ordinary Shareholders

Increase or decrease in the mid-market price of an Ordinary share over the period.

Undiluted Return on Net Assets

Increase or decrease in the undiluted net asset value per Ordinary share over the period.

Diluted Return on Net Assets

Increase or decrease in the diluted net asset value per Ordinary share (as defined below) over the period.

(Loss)/Return Per Ordinary Share

The undiluted (loss)/return per Ordinary share represents the (loss)/return on ordinary activities after taxation divided by the weighted average number of Ordinary shares in issue during the period.

The diluted (loss)/return per Ordinary share represents the (loss)/return on ordinary activities after taxation divided by the weighted average number of Ordinary shares in issue during the period as adjusted in accordance with the requirements of Financial Reporting Standard 22 'Earnings per share'.

Diluted Net Asset Value ('NAV') per Ordinary Share

The diluted NAV per Ordinary share assuming that all outstanding dilutive Subscription shares were converted into Ordinary shares at the period end and any shares held in Treasury at the period end were reissued in accordance with the Board's policy on the reissuance of Treasury shares.

Benchmark Return

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received were reinvested in the shares of the underlying companies at the time the shares were quoted ex-dividend.

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 follow or 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

Ordinary Share Price Discount to Diluted Net Asset Value (NAV) Per Ordinary Share

If the share price of an investment trust is lower than the diluted NAV per share, the Company's shares are said to be trading at a discount. The discount is shown as a percentage of the diluted NAV per share. The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium.

Notes

Notes

Information about the Company

Financial Calendar

Financial year end	31st March
Final results announced	June
Half year end	30th September
Half year results announced	November
Interim Management Statements announced	July and January
Subscription share exercise dates	1st April 2009 to 31st March 2014
Annual General Meeting	July/August

History

The Company and its predecessor, JF Fledgeling Japan Limited, have been investing in Japanese smaller companies since 1984. In early 2000, JF Fledgeling Japan Limited was placed into voluntary liquidation and JPMorgan Fleming Japanese Smaller Companies Investment Trust was incorporated and took over its assets and undertakings. Dealings on the new Company began on the London Stock Exchange on 11th April 2000. The Company changed its name to JPMorgan Japan Smaller Companies Trust plc in July 2010.

Directors

Alan Clifton (Chairman)
John Gibbon
Bernard Grigsby
Chris Russell
Robert White

Company Numbers

Company registration number: 3916716

Ordinary Shares

London Stock Exchange Sedol number: 0316581
ISIN: GBOO03165817
Bloomberg ticker: JPS LN

Subscription Shares

London Stock Exchange Sedol number: B3Q7DL7
ISIN: GBOOB3Q70L73
Bloomberg ticker: JPSS

Market Information

The Company's net asset value ('NAV') is published daily, via the London Stock Exchange. The Company's Ordinary shares are listed on the London Stock Exchange and are quoted daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman, The Independent and on the J.P. Morgan website at www.jpmmjapan-smaller-companies.co.uk, where the Ordinary share price is updated every fifteen minutes during trading hours.

The Company's Subscription share price is listed on the London Stock Exchange and quoted daily in the Financial Times and on the J.P. Morgan website at www.jpmmjapan-smaller-companies.co.uk, where the Subscription share price is updated every fifteen minutes during trading hours.

Website

www.jpmmjapan-smaller-companies.co.uk



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Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP. These products are all available on the online wealth manager service, J.P. Morgan WealthManager+ available at www.jpmmorganwealthmanagerplus.co.uk

Manager

JF Asset Management Limited.

Company Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ
Telephone number: 020 7742 6000

For company secretarial and administrative matters, please contact Andrew Norman.

Custodian

JPMorgan Chase Bank N.A.
125 London Wall
London EC2Y 5AJ

Registrars

Equiniti Limited
Reference 2093
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: 0871 384 2539

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 2093.

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

Independent Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Savings Product Administrators

For queries on the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP, see contact details on the back cover of this report.

J.P. Morgan Helpline
Freephone 0800 20 40 20 or +44 (0)20 7742 9995

Your telephone call may be recorded for your security

www.jpmmjapan.com