# CC JAPAN INCOME & GROWTH TRUST PLC

## REPORT AND ACCOUNTS

## FOR THE PERIOD FROM 28 OCTOBER 2015 TO 31 OCTOBER 2016

ASSET MANAGEMENT
CouplandCardiff

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# INVESTMENT OBJECTIVE, FINANCIAL INFORMATION AND PERFORMANCE SUMMARY

## INVESTMENT OBJECTIVE

The investment objective of the Company is to provide Shareholders with dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan.

## FINANCIAL INFORMATION

| | At 31 October 2016 |
|---|---|
| Net assets | £98.1m |
| Net asset value ("NAV") per Ordinary Share ("share") | 123.9p |
| Share price | 122.4p |
| Share price discount to NAV | 1.2% |

## PERFORMANCE SUMMARY

| | % change |
|---|---|
| NAV total return per share | +24.9% |
| Share price total return[1] | +23.5% |
| Topix index total return[1] | +32.7% |

1 Source: Bloomberg

All the above returns are stated in GBP terms for the period from the Company's launch on 15 December 2015 to 31 October 2016.

# CHAIRMAN'S STATEMENT

I am pleased to present the Company's first Annual Report which reflects the period from listing on the London Stock Exchange on 15 December 2015 to 31 October 2016. As at 31 October 2016, and measured in Sterling, the share price has risen by 22.4% while the Net Asset Value ("NAV") has increased by 23.9% since launch. On a total return basis including the interim dividend, the share price and NAV rose by 23.5% and 24.9% respectively. Although our investment strategy is unconstrained by any benchmark, it is of note that we underperformed the Topix index which returned +32.7% over the same period in Sterling terms. This reflects a portfolio invested for income and sustainable growth rather than in cyclical stocks which performed strongly. The year was also notable for currency volatility, with Yen strength and a weak market in the first half of our financial year giving way to market strength on pronounced Yen weakness towards the end of the period; a somewhat awkward investment climate. Under the circumstances, our investment managers, who have considerable experience of our strategy in an open-ended environment, have made a good start with the portfolio in our closed-end form. The shares continued to command a premium to NAV throughout most of the year under review but closed at a 1.2% discount to the share price at our year end, 31 October 2016.

## Share issues

The Company listed on the London Stock Exchange in December 2015 after an initial fundraising of £66.5m. On 13 October 2016, the Company announced the issue of an additional 10.26 million Ordinary Shares at a price of £1.23 per share exercised under the Placing Programme reserved in the Prospectus. In addition, 2.4m Ordinary Shares were placed under tap issues earlier in the year. Thus, the current issued share capital is 79.2 million shares with a market capitalisation of £98.1 million as at 31 October 2016. The Board has every intention of continuing to explore ways to expand the size of the Company, market conditions permitting.

## Market developments

2016 has seen sentiment across global equity markets continue to be heavily influenced by Central Bank policies as well as potentially significant political shifts in the UK, the US and Europe. These events have contributed to gyrations in the foreign exchange markets, which have been a dominant factor in the direction of Japanese equities and sectoral trends within the stock market. The Japanese Yen started the year at ¥120.5/US$ but appreciated to a high of ¥99.9/US$ in mid-August. Yen strength against Sterling was exacerbated by the reaction to the United Kingdom's EU referendum vote on 23 June which saw the cross rate move from ¥177.1/£ at the start of the calendar year 2016 to ¥128.4/£ at our October period end. This provided a significant boost to the reported NAV of the Company, although we have now seen some Yen weakness, particularly since our year end.

In an attempt to contain the strength of the Yen, the Bank of Japan ( "BOJ" ) made the surprise decision at the end of January 2016 to cut interest rates on excess reserves to -10bps, thereby introducing a negative nominal rate for the first time. Financial institutions and banks in particular were negatively affected and this unorthodox monetary policy was heavily criticised. The BOJ subsequently conducted a comprehensive assessment of the resulting effects on economic activity and prices and at their September policy meeting concluded that a new framework was required. This introduced a "Yield Curve Control" mechanism to maintain 10 year Government bonds at a Zero yield, together with a commitment to overshoot the price stability target of 2% inflation. The US yield curve had been steepening even before their Presidential election. President Trump's potential fiscal stimulus for the US economy together with the Federal Open Market Committee's incipient plans for raising US interest rates mean that the BOJ may have to keep expanding its balance sheet to defend its Zero yield "wicket". In the event of continuing monetary accommodation the Yen could remain weak against the US dollar. In this context, I should remind shareholders that the Company has a policy of not hedging currencies, as clearly laid out in the Prospectus.

Negative interest rate policy combined with continuing Japanese Corporate Governance and Stewardship Code reforms are fully supportive of our income strategy. Japanese companies with excess capital on their balance sheets continue to increase distributions to shareholders with strong growth in dividends and share buy backs. The dividend payout ratio for the Tokyo Stock Exchange has also improved, but at 33.7% in the last fiscal year is still very much lower than other developed markets. There is strong evidence of further dividend trend growth, which is discussed in the Investment Manager's Report.

## Dividends

The Prospectus laid out a minimum target dividend for the first financial period of the company of 3p per share. The Company has generated a revenue return of 3.60p per Ordinary Share based on the weighted average number of shares in issue in the period from the commencement of the Company's operations on 15 December 2015 to 31 October 2016. Therefore, subject to approval by shareholders at the Company's Annual General Meeting, the Board proposes a final dividend of 2p per ordinary share to be paid to shareholders on the register at 17 February 2017, which together with the interim dividend of 1p paid in July 2016, meets the Prospectus target. The strategic objective is to grow the dividend over time. Shareholders should also be aware of the Special Reserve created to allow distributions out of capital, if appropriate.

### Outlook

Uncertainty abounds across the global political spectrum, not least the fear of potentially protectionist moves by the new Trump administration. Certainly, it is too early to say what effect President Trump's economic and foreign policies will have on the Asian region, including Japan. The stakes are high, so one hopes that reasoning conducive to continuing free trade will prevail. To some extent, large Japanese manufacturers may escape potential import tariffs or border taxes through their own US production facilities – Nissan is an example. Notwithstanding the global backdrop, our investment managers believe that BOJ policies have created a favourable environment for investing in income generating assets in Japan. It is remarkable that domestic funds are so wary of returning to the Japanese stock market, which is indicative of entrenched risk-averse, and deflationary convictions. Despite the privatisation of public assets at attractive prices, the introduction of Nippon Individual Savings Accounts in 2014, Yen 6 trillion (and rising) company share buy backs, improving dividend metrics and the BOJ's own equity purchase programme set at Yen 6 trillion annually; an astonishing ¥1,700 trillion in savings is still sitting in cash suffering negative rates of interest and has not been tempted back into equities. A weaker Yen and something of a cyclical earnings recovery might be a catalyst for Japanese equities particularly if a gathering perception of some inflation gains any momentum. At any rate, the improvements in corporate capital management and a desire to improve return on equity should continue to provide plenty of scope for our investment managers to find good income and growth opportunities in the continued implementation of our investment strategy.

**Harry Wells**

31 January 2017

# INVESTMENT MANAGER'S REPORT

## Market

Historically Japan has had few obvious attractions from investors seeking direct investment returns of either dividend or share buybacks. However, as corporate attitudes and the general investment landscape have evolved over recent years, it now offers levels of shareholder returns, by way of income, which are comparable, if not superior, to other international equity markets. In the Japanese Financial Year to March 2016 (confusingly referred to as FY 15) the aggregate dividend payment for all listed companies rose 14.7% year-on-year to its third consecutive annual record. Share buybacks also achieved a new record high, rising 50% year-on-year. This was accompanied by record levels of treasury stock cancellation, reflecting an underlying trend to improve productivity and a desire to raise return on equity ratios. The introduction of a Stewardship Code in 2014 has been central to the improvement in the capital management decisions being made at many companies.

We believe that this clear improvement in shareholder returns will become an ongoing feature and that total returns will remain a primary consideration for long term investors in Japan. Despite the encouraging progress so far, the potential for companies to deliver much more to their shareholders is significant. An estimated 55% of all listed companies in Japan have net cash on their balance sheet. This has been built-up through many years of strong free cash flow as companies responded cautiously to the fallout of the Japanese asset bubble as well as more recent global events such as the late 1990s Asian crash, the technology downturn in 2000 and the financial crisis in 2008. The evidence now suggests that Japanese company managements are now shedding the ultra-conservative approach that had become entrenched behaviour. It is notable that the number of companies announcing share buybacks has increased significantly, which reflects a broadening of the practice, both by company size and by industry, as the benefits for both companies and their shareholders have become more widely recognised and understood.

The Japanese equity market has experienced the strongest dividend growth relative to the other developed markets over the past five years and yet the aggregate payout ratio still remains significantly lower. This gives companies considerable scope to grow the annual distributions to shareholders through an earnings cycle and also offer sustainable dividend payments during an extended downturn. We believe that in general companies are favouring a shareholder return policy which as its primary consideration focuses on the delivery of a stable and sustainable dividend going forward. An increasing portion of companies we meet are now expressing this objective clearly in their dividend policies and this is an important consideration in our investment process.

## Portfolio

The success of the selection process can be identified in the large number of companies within the portfolio that have raised their dividend payments to levels higher than originally expected for either the 2015 fiscal year or the 2016 interim results which are included in the Company's reporting period. In addition companies such as Mitsubishi UFJ Holdings, Nippon Telegraph & Telephone and Nissan Motor which are held by the Company have announced large share buyback programmes.

The NAV total return of the Company was 24.9% between the date of establishment and end of the financial year on 31 October. The performance has been significantly influenced by factors only indirectly related to the underlying investment decisions during the period. The Japanese equity market opened up strongly on the Company's first day of trading reflecting the decision in the US to raise the Federal Funds Rate for the first time since 2006. In Yen terms, the Topix index reached its twelve month high the following day and the subsequent local currency decline has been detrimental to performance given our policy of managing the portfolio with a structural gearing of 20%. At the stock level, there has been a strong positive contribution from Daito Trust, the leading rental apartment developer, which has benefited from favourable tax incentives, and Pola Orbis, a cosmetics manufacturer, which has experienced strong demand from inbound tourists to Japan. Conversely, Kaken Pharmaceutical and Aoyama Trading have been weak due to lowered earnings expectations in the short term, although, in both cases, the long term commitment to shareholder return is undiminished.

The monies raised from the secondary share offering and the smaller tap issues during the year have enabled the Company to purchase additional positions. There have been three new large company positions established – Tokyo Electron, Nissan Motor and NTT DoCoMo – where the commitment to sustainable shareholder returns has been confirmed by management commentary and actions during the year. We continue to believe that small and mid-sized companies in Japan offer significant opportunities for the Company, given the opportunities to discover the combinations of underlying business growth, management participation as shareholders and attractive valuations. Some of the monies raised were used to invest in companies in this area – Asante (pest control services and housing reinforcement services), Yamada Consulting (financial consulting services to small companies), Gakkyusha (operates cram schools in the Tokyo area), Shoei (motorcycle helmets manufacturer) and Nippon Parking Development (car parking services for building owners and also operates ski resorts in central Japan) – which we believe offer significant potential for growth in shareholder returns in coming years.

## Outlook

We move forward into 2017 with a great deal of optimism. The domestic economy remains robust and continues to benefit from the broad economic initiatives included under the Abenomics umbrella. In contrast to the political turmoil in other regions of the world, Prime Minister Abe retains strong popular support and is expected to continue with his programme of reforms and incentives. The majority of Japanese companies remain in a robust financial position with the outlook for aggregate earnings growth boosted by the recent weakness of the Yen.

We expect 2017 to be another good year for shareholder returns in Japan. Nikkei have recently announced the launch of the Nikkei 225 High Dividend Yield Stock 50 Index which will further raise awareness of the availability and quality of income from Japanese equities. We continue to believe that initiatives such as these will continue to encourage the move towards best practices in Japan with regard to distributions to shareholders, which are primary considerations for the Company's investment strategy.

**Richard Aston**
**Coupland Cardiff Asset Management LLP**

31 January 2017

# BOARD OF DIRECTORS, COMPANY SECRETARY AND INVESTMENT MANAGER

From left to right: Anthony Lee (PraxisIFM Fund Services (UK) Limited, Company Secretary), Richard Aston (Investment Manager, Coupland Cardiff Asset Management LLP), John Scott, Harry Wells (Chairman), Peter Wolton and Mark Smith.

# INVESTMENT POLICY, RESULTS AND OTHER INFORMATION

## Investment policy

The Company intends to invest in equities listed or quoted in Japan. The Company may also invest in exchange traded funds in order to gain exposure to such equities. Investment in exchange traded funds shall be limited to not more than 20% of Gross Assets at the time of investment. The Company may also invest in listed Japanese real estate investment trusts (J-REITs).

The Company may enter into long only contracts for difference or equity swaps for gearing and efficient portfolio management purposes.

No single holding (including any derivative instrument) will represent more than 10% of Gross Assets at the time of investment and, when fully invested, the portfolio is expected to have between 30 to 40 holdings although there is no guarantee that this will be the case and it may contain a lesser or greater number of holdings at any time.

The Company will have the flexibility to invest up to 10% of its Gross Assets at the time of investment in unquoted or untraded companies.

The Company will not be constrained by any index benchmark in its asset allocation.

### Borrowing policy

The Company may use borrowings for settlement of transactions, to meet on-going expenses and may be geared through borrowings and/or by entering into long only contracts for difference or equity swaps that have the effect of gearing the Company's portfolio to seek to enhance performance. The aggregate of borrowings and long only contracts for difference and equity swap exposure will not exceed 25% of Net Asset Value at the time of drawdown of the relevant borrowings or entering into the relevant transaction, as appropriate, although the Company's normal policy will be to utilise and maintain gearing to a lower limit of 20% of Net Asset Value at the time of drawdown of the relevant borrowings or entering into the relevant transaction, as appropriate. It is expected that any borrowings entered into will principally be denominated in Yen.

### Hedging policy

The Company does not currently intend to enter into any arrangements to hedge its underlying currency exposure to investment denominated in Yen, although the Investment Manager and the Board may review this from time to time.

## Results and dividend

The Company was incorporated on 28 October 2015 and business operations commenced on 15 December 2015 when the Company was listed on the London Stock Exchange.

The Company's revenue return after tax for the year amounted to £2.474 million. The Company paid an interim dividend of 1p per Ordinary Share during the period. The directors are proposing that the Company will pay a final dividend of 2p per Ordinary Share based on the Ordinary Shares in at the date of this report. If approved at the Annual General Meeting, the final dividend will be paid on 29 March 2017 to Shareholders on the register at the close of business on 17 February 2017.

The Company made a capital return after tax of £16.1m. Therefore the total return after tax for the Company was £18.6 million.

## Key performance indicators ("KPIs")

The Board measures the Company's success in attaining its investment objective by reference to the following KPIs:

**(i) Long term capital growth**
The Board considers the Company's Net Asset Value (NAV) total return figures to be the best indicator of performance over time and this therefore is the main indicator of performance used by the Board. The NAV total return from listing on 15 December 2015 to 31 October 2016 was 24.9%.

The Chairman's Statement on pages 3 and 4 incorporates a review of the highlights during the year. The Investment Manager's Report on pages 5 and 6 gives details on investments made during the year and how performance has been achieved.

**(ii) Revenue return per share and dividends**
The Board also monitors the Company's revenue return. The Board targeted a total dividend for the period from incorporation to 31 October 2016 of a minimum of 3p per Ordinary Share. The Company's proposed total dividend payable in respect of the period is 3p per Ordinary Share.

**(iii) Discount/premium to NAV**
The discount/premium relative to the NAV per share represented by the share price is closely monitored by the Board. The share price closed at a 1.2% discount to the NAV as at 31 October 2016.

**(iv) Control of the level of ongoing charges**
The Board monitors the Company's operating costs carefully. Based on the Company's average net assets during the period from 15 December 2015 to 31 October 2016, the Company's ongoing charges figure calculated in accordance with the AIC methodology was 1.12%. The Board considers this level to be reasonable.

## Principal risks and uncertainties

Together with the issues discussed in the Chairman's Statement and the Investment Manager's Report, the Board considers that the principal risks and uncertainties faced by the Company fall into the following main categories:

## (i) Market risks

### Economic conditions

Changes in economic conditions in Japan (for example, interest rates and rates of inflation, industry conditions, competition, political and diplomatic events and other factors) and in the countries in which the Company's investee companies operate could substantially and adversely affect the Company's prospects.

### Sectoral diversification

The Company has no limits on the amount it may invest in any sector. This may lead to the Company having significant concentrated exposure to portfolio companies in certain business sectors from time to time.

Concentration of investments in any one sector may result in greater volatility in the value of the Company's investments and consequently its NAV and may materially and adversely affect the performance of the Company and returns to Shareholders.

### Unquoted companies

The Company may invest in unquoted companies from time to time. Such investments, by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risks than investments in listed and quoted securities and they may be more difficult to realise.

### Performance against benchmark index and competitors

The Board measures performance against the benchmark index, the Topix Index. The Board also monitors performance relative to the Company's peer group over a range of periods, taking into account the differing investment policies and objectives.

*Management of risks*

The Company is invested in a diversified portfolio of investments.

The Company's investment policy states that no single holding (including any derivative instrument) will represent more than 10% of the Company's Gross Assets at the time of investment and, when fully invested, the portfolio is expected to have between 30 to 40 holdings although there is no guarantee that this will be the case and it may contain a lesser or greater number of holdings at any time.

A maximum of 10% of the Company's Gross Assets at the time of investment may be invested in unquoted or untraded companies at time of investment.

## (ii) Corporate governance and internal control risks

The Board has contractually delegated to external agencies the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the accounting and company secretarial requirements.

The main risk areas arising from the above contracts relate to allocation of the Company's assets by the Investment Manager, and the performance of administrative, registration and custodial services. These could lead to various consequences including the loss of the Company's assets, inadequate returns to Shareholders and loss of investment trust status.

*Management of risks*

Each of the above contracts was entered into after full and proper consideration of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. All of the above services are subject to ongoing oversight of the Board and the performance of the principal service providers is reviewed on a regular basis. The Board monitors key person risks as part of its oversight of the Investment Manager.

## (iii) Regulatory risks

Breaches of Section 1158 of the Corporation Tax Act could result in loss of investment trust status. Loss of investment trust status would lead to the Company being subject to tax on any gains on the disposal of its investments. Breaches of the FCA's rules applicable to listed entities could result in financial penalties or suspension of trading of the Company's shares on the London Stock Exchange. Breaches of the Companies Act 2006, The Financial Services and Markets Act, The Alternative Investment Fund Managers' Directive, Accounting Standards, The Listing Rules, Disclosure and Transparency Rules and Prospectus Rules could result in financial penalties or legal proceedings against the Company or its directors. Failure of the Investment Manager to meet its regulatory obligations could have adverse consequences on the Company.

*Management of risks*

The Company has contracted out relevant services to appropriately qualified professionals. The Investment Manager reports on regulatory matters to the Board on a quarterly basis. The assessment of regulatory risks forms part of the Board's risk assessment programme.

## (iv) Financial risks

The Company's investment activities expose it to a variety of financial risks which include foreign currency risk and interest rate risk. The Company's dividends are received in Japanese Yen but payable in Sterling.

# INVESTMENT POLICY, RESULTS AND OTHER INFORMATION continued

*Management of risks*

The Company converts its dividends received into Sterling upon receipt.

Further details of financial risks and the management of those risks are disclosed in note 21 to the accounts.

## Viability statement

The continuation of the Company is subject to the approval of shareholders at the third Annual General Meeting of the Company to be held in 2019 and, if passed, every three years thereafter. The Directors have assessed the viability of the Company for the three years to 31 October 2019 (the "Period") taking into account the long-term nature of the Company's investment strategy and the principal risks outlined above. Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due in the Period.

In their assessment of the prospects of the Company, the Directors have considered each of the principal risks and uncertainties set out above and the liquidity and solvency of the Company. The Directors have considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities, which could, if necessary, be sold to meet the Company's funding requirements. Portfolio activity and market developments are discussed at quarterly Board meetings. The internal control framework of the Company is subject to a formal review on at least an annual basis.

The Directors do not expect there to be any material increase in the annual ongoing charges of the Company over the Period. The Company's income from investments and cash realisable from the sale of its investments provide substantial cover to the Company's operating expenses, and any other costs likely to be faced by the Company over the period of their assessment.

## Environmental matters

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

## Employees

The Company has no employees. As at 31 October 2016 the Company had four Directors of whom all are male. The Board's policy on diversity is contained in the Corporate Governance Report (see page 17).

## Social, community and human rights issues

Having no employees, the Company, as an investment company, has no direct impact on social, community, environmental or human rights matters.

## Outlook

The outlook for the Company is discussed in the Chairman's Statement on page 3.

## Strategic Report

The Strategic Report set out on pages 2 to 12 of this Annual Report was approved by the Board of Directors on 31 January 2017.

For and on behalf of the Board

**Harry Wells**

Director

31 January 2017

# TOP TEN SECTORS
## AS AT 31 OCTOBER 2016

| Sector | % of net assets |
|---|---|
| Services | 13.9 |
| Information & Communications | 12.6 |
| Real Estate | 12.4 |
| Banks | 8.2 |
| Electrical Appliances | 7.7 |
| Construction | 7.7 |
| Transport Equipment | 7.2 |
| Pharmaceuticals | 4.9 |
| Machinery | 4.2 |
| Foods | 4.1 |
| **Total** | **82.9** |

# TOP TEN CONTRACTS FOR DIFFERENCE (CFDs)

| Company | Sector | Gross exposure £'000 | Gross exposure as a % of net assets | Market value £'000 |
|---|---|---|---|---|
| KDDI Corp (Jan 2017) | Information & Communications | 838 | 0.9 | 27 |
| Tsubaki Nakashima (Jan 2017) | Machinery | 831 | 0.9 | (28) |
| Daito Trust – (Jan 2017) | Construction | 824 | 0.8 | 160 |
| Nippon Telegraph (Jan 2017) | Information & Communications | 820 | 0.8 | (23) |
| Japan Tobacco (Jan 2017) | Foods | 812 | 0.8 | (107) |
| Fuji Heavy (Jan 2017) | Transport Equipment | 784 | 0.8 | (100) |
| Bridgestone Corp (Jan 2017) | Rubber Products | 781 | 0.8 | (89) |
| Technopro Holdings (Jan 2017) | Services | 778 | 0.8 | (13) |
| Tokyo Electron (Jan 2017) | Electrical Appliances | 712 | 0.7 | 100 |
| Daiwa House (Jan 2017) | Construction | 692 | 0.7 | (85) |
| **Total** | | **7,872** | **8.0** | **(158)** |

# HOLDINGS IN PORTFOLIO

## AS AT 31 OCTOBER 2016

| Company | Sector | Market value £000 | % of net assets |
|---|---|---|---|
| KDDI Corp | Information & Communications | 4,185 | 4.3 |
| Tsubaki Nakashima | Machinery | 4,159 | 4.2 |
| Daito Trust | Construction | 4,122 | 4.2 |
| Nippon Telegraph | Information & Communications | 4,099 | 4.2 |
| Japan Tobacco | Foods | 4,060 | 4.1 |
| Fuji Heavy | Transport Equipment | 3,920 | 4.0 |
| Bridgestone Corp | Rubber Products | 3,903 | 4.0 |
| Technopro Holdings | Services | 3,888 | 4.0 |
| Tokyo Electron | Electrical Appliances | 3,560 | 3.6 |
| Daiwa House | Construction | 3,461 | 3.5 |
| Hoya | Precision Instruments | 3,442 | 3.5 |
| Japan Hotel | Real Estate | 3,111 | 3.2 |
| Nissan Motor | Transport Equipment | 3,091 | 3.2 |
| Mabuchi Motor | Electrical Appliances | 3,039 | 3.1 |
| Pola Orbis | Chemicals | 2,933 | 3.0 |
| Sumitomo Mitsui | Banks | 2,887 | 2.9 |
| Mitsubishi Financial | Banks | 2,789 | 2.8 |
| Invincible | Real Estate | 2,703 | 2.8 |
| Aozora Bank | Banks | 2,451 | 2.5 |
| Kaken Pharmaceutical | Pharmaceuticals | 2,450 | 2.5 |
| Yamada Consulting | Services | 2,440 | 2.5 |
| Aoyama Trading | Retail Trade | 2,428 | 2.5 |
| Activia Properties | Real Estate | 2,389 | 2.4 |
| Otsuka | Pharmaceuticals | 2,337 | 2.4 |
| Hikari Tsushin | Information & Communications | 2,244 | 2.3 |
| Asante | Services | 2,197 | 2.2 |
| Gakkyusha | Services | 2,110 | 2.2 |
| Invesco Office | Real Estate | 2,107 | 2.1 |
| Nippon Parking | Real Estate | 1,890 | 1.9 |
| Hitachi | Other Financing Business | 1,836 | 1.9 |
| NTT DoCoMo | Information & Communications | 1,724 | 1.7 |
| Trust Tech | Services | 1,663 | 1.7 |
| Wellnet | Services | 1,233 | 1.3 |
| Canon | Electrical Appliances | 1,012 | 1.0 |
| Shoei | Securities & Commodities | 775 | 0.8 |
| **Total holdings** | | **96,638** | **98.5** |
| Other net assets | | 1,447 | 1.5 |
| | | **98,085** | **100.0** |

# DIRECTORS' REPORT

The Directors present their report and accounts for the period from incorporation on 28 October 2015 to 31 October 2016. Business operations commenced on 15 December 2015 when the Company's Ordinary Shares were listed on the London Stock Exchange.

## Strategic report

The Directors' Report should be read in conjunction with the Strategic Report on pages 2 to 12.

## Corporate governance

The Corporate Governance Statement on pages 17 to 20 forms part of this report.

## Legal and taxation status

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company conducts its affairs in order to meet the requirements for approval as an investment trust under section 1158 of the Corporation Tax Act 2010. The Company has received initial approval as an investment trust and the Company must meet eligibility conditions and ongoing requirements in order for investment trust status to be maintained. In the opinion of the Directors, the Company has met the conditions and requirements for approval as an investment trust for the period ended 31 October 2016.

## Management

Coupland Cardiff Asset Management LLP ("CCAM") has been appointed as the Company's investment manager and alternative investment fund manager (the "Investment Manager" or the "AIFM"). CCAM is regulated by the Financial Conduct Authority.

The Investment Manager is appointed under a contract subject to twelve months' notice with such notice not to expire prior to the third anniversary of first admission of the Ordinary Shares to trading on the London Stock Exchange. Thereafter, the Investment Manager may resign by giving the Company not less than six months' written notice.

The Investment Manager is entitled to remuneration each month at a rate equivalent to one twelfth of 0.75% per calendar month of the net asset value of the Company.

In accordance with the Directors' policy on the allocation of expenses between income and capital 80% of the management fee payable is charged to capital and the remaining 20% to income.

## Management engagement

The Directors are satisfied that the Investment Manager has the suitable skills and experience to manage the Company's investments and believe that the continuing appointment of the Investment Manager is in the interests of Shareholders as a whole.

## Alternative Investment Fund Investment Managers Directive ("AIFMD")

In accordance with the AIFMD, the Company has appointed CCAM as its Alternative Investment Fund Manager ("AIFM"). The AIFM must ensure that an annual report containing certain information on the Company is made available to investors for each financial year. The investment funds sourcebook of the FCA (the "Sourcebook") details the requirements of the annual report. All the information required by those rules is included in this Annual Report or is or will be made available on the AIFM's website (www.couplandcardiff.com).

The AIFM is required to make certain disclosures on its remuneration in respect of the AIFM's relevant reporting period which is the year ended 31 December 2015. These disclosures are available on the AIFM's website or are available on request from the AIFM.

### Leverage (under AIFMD)

The AIFM is required to set leverage limits as a percentage of net assets for the Company utilising methods prescribed under AIFMD. These methods are known as the gross method and the commitment method. Under both methods the AIFM has set current maximum limits of leverage for the Company of 200%. A leverage percentage of 100% equates to nil leverage. The Company's leverage under each of these methods at its year end is shown below:

| | Gross method | Commitment method |
|---|---|---|
| Maximum leverage limit | 200% | 200% |
| Actual leverage at 31 October 2016 | 119% | 120% |

## Dividends

The Company intends to pay dividends on a semi-annual basis, with dividends declared in January and June and paid in March and July/August in each year, other than in the first financial year. The Company targeted a total dividend for the period from incorporation to 31 October 2016 of a minimum of 3 pence per Ordinary Share with the first dividend intended declared in June 2016. The interim dividends will not necessarily be of equal amounts because the dividends from the Company's underlying investments are expected to arrive irregularly throughout the financial year.

In accordance with regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011, the Company will not (except to the extent permitted by those regulations) retain more than 15% of its income (as calculated for UK tax purposes) in respect of an accounting period.

In order to increase the distributable reserves available to facilitate the payment of future dividends, the amount standing to the credit of the share premium account of the Company immediately following completion of the first issue of Ordinary Shares on 15 December 2015 has been cancelled and transferred to a special distributable reserve. The Company may, at the discretion of the Board, pay all or part of any future dividends out of this special distributable reserve, taking into account the Company's investment objective. Dividends will normally be funded through distributions from portfolio companies including dividends and other distributions, and taking account of share buybacks by portfolio companies.

## Share issues

The authority to issue new shares pursuant to the placing programme, detailed in the Company's prospectus dated 13 November 2015, expired on 11 November 2016.

The Board recommends that the Company is granted a new authority to issue up to a maximum of 7,908,100 Ordinary Shares (representing approximately 9.99% of the shares in issue at the date of this document) and to disapply pre-emption rights when issuing those Ordinary Shares. Resolutions to this effect will be put to shareholders at the Annual General Meeting. The maximum number of Ordinary Shares which can be admitted to trading on the London Stock Exchange without the publication of a prospectus is 10% of the Ordinary Share Capital on a rolling previous 12 month basis at the time of admission of the shares.

## Treasury shares

The Companies Act allows companies to hold shares acquired by way of market purchases to be held as treasury shares, rather than having to cancel them. This would give the Company the ability to re-issue Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. No Ordinary Shares will be sold from treasury at a price less than the (cum income) net asset value ("NAV") per existing Ordinary Share at the time of their sale unless they are first offered pro rata to existing Shareholders. No Ordinary Shares were bought back during the period ended 31 October 2016.

## Discount management

The Directors recognise the importance to investors of the Ordinary Shares not trading at a significant discount to their prevailing NAV. To the extent that the Ordinary Shares trade at a significant discount to their prevailing NAV, the Board will consider whether (in the light of the prevailing circumstances) the Company should purchase its own Ordinary Shares (whether pursuant to the general authority referred to below or pursuant to tender offers made on appropriate terms). There is, however, no guarantee or assurance that any discount control mechanisms proposed by the Board will reduce any discount.

The Directors have the authority to make market purchases of up to 14.99 per cent. of the Ordinary Shares in issue on the admission of the Ordinary Shares to trading on the London Stock Exchange on 15 December 2015. The maximum price (exclusive of expenses) which may be paid for an Ordinary Share must not be more than the higher of: (i) 5 per cent. above the average of the mid-market values of the Ordinary Shares for the five Business Days before the purchase is made; or (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares. Ordinary Shares will be repurchased only at prices below the prevailing NAV per Ordinary Share, which should have the effect of increasing the NAV per Ordinary Share for remaining Shareholders.

It is intended that a renewal of the authority to make market purchases will be sought from shareholders at each annual general meeting of the Company and such a resolution will put forward at the forthcoming Annual General Meeting. Purchases of Ordinary Shares will be made within guidelines to be established from time to time by the Board. Any purchase of Ordinary Shares would be made only out of the available cash resources of the Company. Ordinary Shares purchased by the Company may be held in treasury or cancelled.

Purchases of Ordinary Shares may be made only in accordance with the Companies Act, the Listing Rules and the Disclosure and Transparency Rules.

## Life of the Company

The Company has no fixed life but, pursuant to the Articles, an ordinary resolution for the continuation of the Company will be proposed at the third annual general meeting (namely in 2019) of the Company and, if passed, every three years thereafter. Upon any such resolution not being passed, proposals will be put forward to the effect that the Company be wound up, liquidated, reconstructed or unitised.

## Market information

The Company's share capital is listed on the London Stock Exchange. The NAV per share is calculated in Sterling for each business day that the London Stock Exchange is open for business. The daily NAV per share is published through a regulatory information service.

## Bank overdraft facility

The Company has a bank overdraft facility with Northern Trust Company. Under the terms of the facility a maximum of £12 million, or the equivalent in Japanese Yen, can be drawn down.

## Derivatives

The Company may utilise long only contracts for difference or equity swaps for gearing and efficient portfolio management purposes. Where the Company uses such instruments, it is likely to take a credit risk with regard to the parties with whom it trades and may also bear the risk of settlement default.

During the period, the Company held contracts for difference with Morgan Stanley & Co International plc and Macquarie Bank Limited and the net exposure at 31 October 2016 was £14,122,000 and £958,000, respectively.

The financial instruments of the Company generate liquidity risk, credit risk and market risk. An explanation of these risks and how they are managed and the policy and practice with regards to financial instruments are contained in note 21 of the financial statements.

## Depositary and custodian

Northern Trust Global Services Limited has been appointed as the Company's depositary and custodian.

## Company Secretary

With effect from 1 July 2016, PraxisIFM Fund Services (UK) Limited has been appointed as the company secretary of the Company, having acquired Cavendish Administration Limited, which acted as the company secretary prior to that date.

## Administrator

Northern Trust Global Services Limited has been appointed to provide administration services to the Company including calculation of its daily net asset value.

## Capital structure and voting rights

At the year end the Company's issued share capital comprised 79,160,162 Ordinary Shares of 1p nominal value. Each Ordinary Share held entitles the holder to one vote. All shares carry equal voting rights and there are no restrictions on those voting rights. Voting deadlines are stated in the Notice of Meeting and Form of Proxy and are in accordance with the Companies Act 2006.

There are no restrictions on the transfer of Ordinary Shares, nor are there any limitations or special rights associated with the Ordinary Shares.

## Significant shareholders

As at 31 October 2016, the Directors have been notified of, or have identified, the following shareholdings comprising 3% or more of the issued share capital of the Company:

| | Holding | % |
|---|---:|---:|
| Brooks Macdonald Group PLC | 8,564,039 | 10.82 |
| Rathbone Brothers PLC | 5,806,673 | 7.34 |
| Charles Stanley Group PLC | 5,689,763 | 7.19 |
| J M Finn & Co Limited | 5,455,300 | 6.89 |
| Seneca IM Limited | 5,150,000 | 6.51 |
| Derbyshire County Council | 5,000,000 | 6.32 |
| South Yorkshire Pensions Authority | 4,000,000 | 5.05 |
| Investec Wealth & Investment Limited | 3,607,250 | 4.56 |
| Close Asset Management Limited | 3,464,622 | 4.38 |

## Settlement of ordinary share transactions

Ordinary share transactions in the Company are settled by the CREST share settlement system.

## Anti-bribery and corruption

It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Company's policy and the procedures that implement it are designed to support that commitment.

## Notice of general meetings

At least twenty-one days' notice shall be given to all the members and to the auditors. All other general meetings shall also be convened by not less than twenty-one days' notice to all those members and to the auditors unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than fourteen days has been passed, in which case a general meeting may be convened by not less than fourteen days' notice in writing. A special resolution will be proposed at the Annual General Meeting to reduce the period of notice for general meetings other than the Annual General Meeting to not less than fourteen days.

## Going concern

The Directors have adopted the going concern basis in preparing the accounts. The following is a summary of the Directors' assessment of the going concern status of the Company.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of this document. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. The Company's net assets at 31 October 2016 were £98.1 million. As at 31 October 2016, the Company held £0.9 million in cash and £96.6 million in quoted investments. The total expenses (excluding finance costs and taxation) for the year ended 31 October 2016 were £0.8 million, which represented approximately 1.12% of average net assets during the year. At the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover.

## Auditor information

Each of the Directors at the date of the approval of this report confirms that:

(i) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(ii) the Director has taken all steps that he ought to have taken as Director to make himself aware of any relevant information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In accordance with Section 489 of the Companies Act 2006, a resolution to re-appoint Ernst & Young LLP as the Company's auditors will be put forward at the forthcoming Annual General Meeting.

## Corporate Governance

The Corporate Governance Statement on pages 17 to 20 forms part of this Directors' Report.

By order of the Board

**Anthony Lee**
For and on behalf of
**PraxisIFM Fund Services (UK) Limited**
*Company Secretary*

31 January 2017

# CORPORATE GOVERNANCE

## Introduction

The Board of the Company has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company. A copy of the AIC Code can be viewed on the AIC's website www.theaic.co.uk/aic-code-of-corporate-governance-0.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide more relevant information to Shareholders than solely reporting against the UK Corporate Governance Code.

The Financial Reporting Council ("**FRC**"), the UK's independent regulator for corporate reporting and governance responsible for the UK Corporate Governance Code, has endorsed the AIC Code and the AIC Guide. The terms of the FRC's endorsement mean that AIC members who report against the AIC Code and the AIC Guide meet fully their obligations under the UK Corporate Governance Code and the related disclosure requirements contained in the Listing Rules.

With effect from First Admission, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to: the role of the chief executive; executive Directors' remuneration; and the need for an internal audit function. For the reasons set out in the AIC Guide, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company and the Company does not therefore comply with them.

## The Board

### Composition

At the date of this report, the Board consists of four non-executive Directors including the Chairman. All the Directors have served during the entire period since their appointment on 13 November 2015.

The Board believes that during the period ended 31 October 2016 its composition was appropriate for an investment company of the Company's nature and size. All of the Directors are independent of the Investment Manager. All of the Directors are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

The Directors have a broad range of relevant experience to meet the Company's requirements and their biographies are given below.

**Harry Wells** *(non-executive Chairman) (aged 63)*

Harry has over 40 years' experience of investment markets, primarily as an institutional stockbroker specialising in the Asia Pacific region, based in London and Hong Kong, latterly as a Managing Director of Salomon Smith Barney. He is also Chairman of the Martin Currie Asia Unconstrained Investment Trust PLC (formerly Martin Currie Pacific Investment Trust PLC) and The Establishment Investment Trust PLC. Harry holds an MA degree in Land Economy from Cambridge University and is a Fellow of the Chartered Institute for Securities and Investment and a Member of the Royal Institution of Chartered Surveyors.

**Mark Smith** *(non-executive Director) (aged 45)*

Mark is an Investment Manager at Waverton Investment Management (formerly known as J O Hambro Investment Management) which he joined in 2002. He manages portfolios for both UK and international clients, is a Japanese equity specialist and a member of the Stock Selection Committee. Prior to joining Waverton, Mark spent a number of years in institutional fund management specialising in Japanese equities, firstly at Provident Mutual but mainly at Foreign & Colonial where he worked for five years, ultimately managing large Japanese equity funds. Mark graduated from Exeter University in 1994 with a degree in Spanish, has passed his IIMR exams and is an Associate of the Institute (now CFA).

**John Scott** *(non-executive Director and chairman of the Audit Committee) (aged 64)*

John has considerable experience of both Asian markets and of the investment trust sector. Since 2009, he has been Chairman of Scottish Mortgage Investment Trust plc, now the UK's largest conventional investment trust. He is also Chairman of the specialist trust Impax Environmental Markets and Chairman of the Lloyd's Members' agent Alpha Insurance Analysts.

He is also a Director of JP Morgan Claverhouse Investment Trust plc. His other Directorships include a Guernsey registered businesses, Bluefield Solar Income Fund Ltd. John started his career in Hong Kong with Jardine Matheson in 1974 and joined investment bank Lazard Brothers in London in 1981, where he spent 20 years, including three years in Tokyo.

John is a Fellow of the Chartered Insurance Institute and a Fellow of the Chartered Institute for Securities and Investment. He has a degree in Economics from Cambridge University and an MBA from INSEAD, France.

**Peter Wolton** *(Senior Independent Director) (aged 60)*

Peter has wide experience of Japan and the investment trust sector. He was resident in Tokyo from 1994 to 1998 where he was responsible for Schroders' asset management activities and, from 1996, Schroders' Country Head. He is a former Director of Dunedin Income Growth Investment Trust plc, TR Property Investment Trust plc and Schroder Japan Growth Fund plc.

He commenced his career with Savills, qualifying as a Chartered Surveyor in 1980. From 1983 until 2001 worked for Schroders, specialising in the management of UK equity portfolios for pension funds and charities until 1993 when he was transferred to Japan. From 1998 to 2001 he headed Schroders' global retail businesses and from 2002 to 2003 was Chief Investment Officer of the Investment Management Group of Baring Asset Management.

Peter is Executive Vice Chairman of the New Model School Company Ltd, and has degrees in Land Economy from Cambridge University and Contextual Theology from Middlesex University.

The Board does not believe that the service tenure of non-executive Directors should be strictly limited to nine years. The Board recognises the benefits to the Company of having longer serving Directors together with progressive refreshment of the Board.

All of the Directors will retire and offer themselves for election at the first Annual General Meeting of the Company to be held on 22 March 2017. The Board recommends all the Directors for election for the reasons highlighted above and in the Performance Appraisal Section of this report.

The Directors have appointment letters which do not provide for any specific term. They are subject to re-election by Shareholders at a maximum interval of three years. Copies of the Directors' appointment letters are available on request from the Company Secretary. Upon joining the Board, any new Directors receive an induction and relevant training is available to Directors on an ongoing basis.

A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

A policy of insurance against Directors' and officers' liabilities is maintained by the Company.

## Board committees

The Company has established an Audit Committee which is chaired by John Scott and consists of all the Directors. A report of the Audit Committee is included in this Annual Report.

The Company has established a Management Engagement Committee which is chaired by the Chairman of the Company, Harry Wells, and consists of all the Directors. The Management Engagement Committee meets at least once a year or more often if required. Its principal duties are to consider the terms of appointment of the Investment Manager and it annually reviews that appointment and the terms of the Management Agreement. The Management Engagement Committee also reviews the continued appointment and performance of the Company's other service providers.

The Company has also established a Nomination Committee which is chaired by the Chairman of the Company, Harry Wells. The Nomination Committee is responsible for identifying and proposing candidates for the office of Director of the Company. The Nomination Committee also considers and reviews the fees payable to the non-executive Directors and make recommendations regarding such fees to the Board.

## Meeting attendance

In the period from the Company's listing on the London Stock Exchange on 15 October 2015 to the date of this report, the Directors have attended the following meetings:

| | Quarterly Board | Audit Committee | Management Engagement Committee | Nomination Committee |
|---|---|---|---|---|
| Number held | 5 | 2 | 1 | 1 |
| Harry Wells | 5/5 | 2/2 | 1/1 | 1/1 |
| Mark Smith | 5/5 | 2/2 | 1/1 | 1/1 |
| John Scott | 5/5 | 2/2 | 1/1 | 1/1 |
| Peter Wolton | 5/5 | 2/2 | 1/1 | 1/1 |

Note: meetings attended/eligible to attend

## Board diversity

The Company's policy is that the Board should have a broad range of skills. Consideration is given to the recommendations of the AIC Code and other guidance on boardroom diversity.

## Performance appraisal

A formal annual performance appraisal process is performed on the Board, the committees, the individual Directors and the Company's main service providers.

A programme consisting of open and closed ended questions was used as the basis for the appraisal. The results were reviewed by the Chairman and discussed with the Board. A separate appraisal of the Chairman has been carried out by the other members of the Board and the results reported back by the Senior Independent Director to the Chairman. The results of the performance evaluation were positive and demonstrated that the Directors showed the necessary commitment for the fulfilment of their duties.

## Internal control

Prior to the Company's listing a detailed review was carried out on the financial position, prospects and procedures applicable to the Company.

The AIC Code requires the Board to review the effectiveness of the Company's system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a review of the aspects covered by the guidance and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports. The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements. By these procedures the Directors have kept under review the effectiveness of the internal control system throughout the year and up to the date of this report.

### Financial aspects of internal control

The Directors are responsible for the internal financial control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Company are safeguarded. As stated above, the Board has contractually delegated to external agencies the services the Company requires, but it is fully informed of the internal control framework established by the Investment Manager, the Administrator and the Company's custodian to provide reasonable assurance on the effectiveness of internal financial controls.

The key procedures include review of management accounts and NAV and monitoring of performance at quarterly Board meetings, supervision by Directors of the valuation of securities, segregation of the administrative function from that of securities and cash custody and from investment management, maintenance of appropriate insurance and adherence to physical and computer security procedures. In addition, procedures have been put in place for authorisation of all expense payments.

The Statement of Directors' Responsibilities in respect of the accounts is on page 27 and a Statement of Going Concern is on page 15. The Report of the Independent Auditor is on pages 28 to 32.

### Other aspects of internal control

The Board holds quarterly meetings, plus additional meetings as required. Between these meetings there is regular contact with the Investment Manager, the Company Secretary and the Administrator.

The Board has agreed policies with the Investment Manager on key operational issues. The Investment Manager reports in writing to the Board on operational and compliance issues. The Investment Manager reports directly to the Audit Committee concerning the internal controls applicable to the Investment Manager's dealing, investment and general office procedures.

The Directors review detailed management accounts from the Administrator, including holdings in the portfolio, transactions and other aspects of the financial position of the Company. The Depositary provides oversight reports for the quarterly Board meetings. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Corporate Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

This contact with the Investment Manager and the other key service providers enables the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved. The effectiveness of the Company's risk management and internal controls systems is monitored and a formal review, utilising a detailed risk assessment programme has been completed. This included consideration of relevant service provider internal controls report, including The Northern Trust Corporation's custodian and fund services SOC 1 report. There are no significant findings to report from the review.

## Principal risks

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and how they are being managed is set out in the Strategic Report.

## Shareholder relations

The Company encourages all shareholders to attend the Annual General Meeting and seeks to provide a minimum of twenty working days' notice of that meeting. The Notice of Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue. The Investment Manager has a programme of meetings with shareholders and reports back to the Board on its findings. The Chairman and the Board welcome direct feedback from shareholders.

## Exercise of voting powers and stewardship code

The Company and the Investment Manager support the UK Stewardship Code issued by the Financial Reporting Council. The Investment Manager has published its proxy voting policy and statement of compliance with the principles of best practice of the Stewardship Code on its website.

## Social and environmental policy

The Company has no staff, premises, manufacturing or other operations.

# DIRECTORS' REMUNERATION POLICY REPORT

This policy report provides details of the remuneration for the Directors of the Company (the "Remuneration Policy"). The Remuneration Policy will be put forward for approval by Shareholders at the AGM to be held on 22 March 2017. The provisions set out in this policy apply until they are next put forward for Shareholder approval. The Remuneration Policy must be put forward for Shareholder approval at a maximum interval of three years. In the event of any proposed material variation to the policy, Shareholder approval will be sought for the proposed new policy prior to its implementation.

All the Directors are non-executive directors and the Company has no other employees.

## Service contracts

The Directors do not have service contracts with the Company. The Directors have appointment letters and, following initial election by Shareholders, are subject to re-election by Shareholders at a maximum interval of three years.

## Fees

The Directors' fees are determined within the limits set out in the Company's Articles of Association and the Directors are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits. The Directors' fees will be paid at fixed annual rates and do not have any variable elements. The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company.

The Directors shall be entitled to fees at such rates as determined by the Board.

The Directors shall also be entitled to be reimbursed for all expenses incurred in performance of their duties. These expenses are unlikely to be of a significant amount.

Fees are payable from the date of appointment as a Director of the Company and cease on date of termination of appointment. The Directors are not entitled to compensation for loss of office.

The Board will not pay any incentive fees to any person to encourage them to become a Director of the Company. The Board may, however, pay fees to external agencies to assist the Board in the search and selection of Directors.

## Current and future policy

| Component | Director | Current annual rate[1] | Purpose of reward | Operation |
|---|---|---|---|---|
| Annual fee | Chairman of the Board | See note 1 below | For services as Chairman of a plc | Determined by the Board |
| Annual fee | Other Directors | See note 1 below | For services as non-executive Directors of a plc | Determined by the Board |
| Additional fee | Chairman of the Audit Committee | See note 1 below | For additional responsibility and time commitment | Determined by the Board |
| Additional fee | Senior Independent Director | See note 1 below | For additional responsibility and time commitment | Determined by the Board |
| Expenses | All Directors | See note 1 below | Reimbursement of expenses incurred in the performance of duties | Submission of appropriate supporting documentation |

1 Annual rates are determined by the Board.

## Statement of consideration of conditions elsewhere in the Company

As stated above the Company has no employees. Therefore the process of consulting with employees on the setting of the Remuneration Policy is not applicable.

## Review of the Remuneration Policy

The Directors' remuneration will be reviewed on an annual basis by the Board and any changes are subject to approval by the Board. The remuneration payable to the Directors will take into account a number of factors, inter alia, the experience of the Directors, the complexity of the Company and prevailing market rates for the investment trust sector.

## Effective date

This Remuneration Policy will be put forward for shareholder approval at the Annual General Meeting to be held on 22 March 2017 and, if approved by Shareholders, will be effective from that date.

By order of the Board

**Anthony Lee**
For and on behalf of
**PraxisIFM Fund Services (UK) Limited**
*Company Secretary*

31 January 2017

# DIRECTORS' REMUNERATION IMPLEMENTATION REPORT

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. An ordinary resolution for the approval of this report will be put forward at the forthcoming Annual General Meeting.

The Directors' Remuneration Implementation Report is put forward for approval by Shareholders on an annual basis. The result of the Shareholder resolution on the Implementation Report is non-binding on the Company, although it gives Shareholders an opportunity to express their views, which will be taken into account by the Board and the Remuneration Committee.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures are audited they are indicated as such. The auditor's opinion is on page 28.

## Remuneration

The Company currently has four non-executive Directors.

As detailed in the Company's prospectus dated 13 November 2015, Directors' fees are payable at the rate of £24,000 per annum for each Director other than the Chairman, who is entitled to receive £36,000. The Chairman of the Audit Committee is also entitled to additional fees of £5,000 per annum and the Senior Independent Director is entitled to an additional fee of £1,000. However, the Directors have agreed to a 20% reduction in fees while the Company's net assets are less than £100 million. This had the effect of reducing the Directors' fees to £19,200 per annum for each Director other than the Chairman whose fees were reduced to £28,800. The additional fees payable to the Chairman of the Audit Committee were reduced to £4,000 per annum and the additional fees payable to the senior Independent Director were reduced to £800 per annum.

The Board believes that these fees appropriately reflect prevailing market rates for an investment trust of the Company's complexity and size, and will also enable the Company to attract appropriately experienced additional Directors in the future.

The Nomination Committee, which consists of all the Directors, reviews the fees payable to the Directors on an annual basis.

## Directors' service contracts

The Directors do not have service contracts with the Company. The Directors are not entitled to compensation on loss of office. The Directors have appointment letters which do not provide for any specific term. However, they are subject to re-election by Shareholders at a maximum interval of three years. There are no restrictions on transfers of the Company's shares held by the Directors or any special rights attached to such shares.

## Directors' indemnities

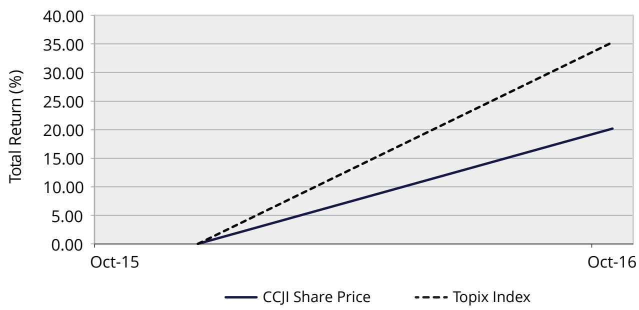
Subject to the provisions of the Companies Act 2006 and certain provisions contained in the deeds of indemnity issued by the Company, the Company has indemnified each of the Directors against all liabilities which each Director may suffer or incur arising out of or in connection with any claim made or proceedings taken against him/her, or any application made under sections 661(3), 661(4) or 1157 of the Companies Act 2006 by him/her, on the grounds of his/her negligence, default, breach of duty or breach of trust, in relation to the Company or any Associated Company. The indemnities would provide financial support from the Company after the level of cover provided by the Company's Directors' and Officers' insurance policy has been fully utilised.

## Director search and selection fees

No Director search and selection fees were incurred during the year.

## Performance

The following chart shows the performance of the Company's share price by comparison to the Topix Index, on a total return basis. The Board deems the Topix Total Return Index to be the most appropriate comparator for this report.




## Directors' emoluments for the period (audited)

The Directors who served during the period received the following remuneration for qualifying services.

| | Fees paid 2016 £'000 |
|---|---|
| Harry Wells | 27.6 |
| Mark Smith | 18.5 |
| John Scott | 22.1 |
| Peter Wolton | 19.2 |
| | **87.4** |

STRATEGIC REPORT GOVERNANCE FINANCIALS OTHER INFORMATION

# DIRECTORS' REMUNERATION IMPLEMENTATION REPORT continued

The Company paid £1,441 in expenses to the Directors. None of the above fees was paid to third parties.

A non-binding ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report for the period ended 31 October 2016 will be put forward for approval at the Company's first Annual General Meeting to be held on 22 March 2017.

## Relative importance of spend on pay

The following table sets out the total level of Directors' remuneration compared to the distributions to Shareholders by way of dividends and share buybacks, and the management fees and other expenses incurred by the Company.

| | 2016 £'000 |
|---|---|
| Income receivable | 3,220 |
| Directors' fees | 87 |
| Management fees and other expenses | 826 |
| Dividends paid to shareholders | 689 |
| Dividends payable to shareholders | 1,583 |

The information in the table above is required by the regulations with the exception of management fees and other expenses which have been included to show the total operating expenses of the Company.

## Directors' holdings (Audited)

The directors purchased the following shareholdings at the time of the Company's listing on the London Stock Exchange. All holdings are beneficially owned.

| | Ordinary Shares |
|---|---|
| Harry Wells | 30,000 |
| Mark Smith | 10,000 |
| John Scott | 25,000 |
| Peter Wolton | 25,000 |

The above shareholdings were unchanged at 31 October 2016 and at the date of this report.

## Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Policy and Remuneration Implementation summarises, as applicable, for the year to 31 October 2016:

(a) the major decisions on Directors' remuneration;

(b) any substantial changes relating to Directors' remuneration made during the year; and

(c) the context in which the changes occurred and decisions have been taken.

**Harry Wells**
*Chairman*
31 January 2017

# REPORT OF THE AUDIT COMMITTEE

## Role of the Audit Committee

The AIC Code of Corporate Governance (the "Code") recommends that Boards should establish audit committees consisting of at least three, or in the case of smaller companies, two independent non-executive directors. The Board is required to satisfy itself that at least one member of the audit committee has recent and relevant financial experience. The main role and responsibilities of the audit committee should be set out in written terms of reference covering certain matters described in the Code. The Company complies with the Code.

The Audit Committee meets formally at least twice a year for the purpose, amongst other things, of considering the appointment, independence and objectivity, and remuneration of the auditor and to review the annual accounts and half-yearly financial report. The Audit Committee also reviews the Company's internal financial controls and its internal control and risk management systems. Where non-audit services are provided by the auditor, full consideration of the financial and other implications on the independence of the auditor arising from any such engagement are considered before proceeding. The Audit Committee has considered the non-audit work of the auditor this year and does not consider that this compromises its independence. Non-audit work consisted of tax assurance in preparing the Company's corporation tax return.

## Composition

All of the Directors of the Company are members of the Audit Committee and I have served as chairman of the Committee since inception. The Audit Committee has formal written terms of reference and copies of these are available on the Company's website or on request from the Company Secretary. The Audit Committee as a whole has recent and relevant financial experience. The Audit Committee has considered the need for an internal audit function and considers that this is not appropriate given the nature and circumstances of the Company. The Audit Committee keeps the needs for an internal function under periodic review. The chairman of the Company is a member of the Audit Committee. The Board and the Audit Committee believe that this is appropriate as he has recent and relevant financial experience and he is independent.

## Meetings

There have been two Audit Committee meetings in the period to the date of this report. All Committee members attended both meetings.

## Financial statements and significant accounting matters

The Audit Committee considered the following significant accounting issues in relation to the Company's Financial Statements for the period ended 31 October 2016:

### Valuation and existence of investments

The Company holds the majority of its assets in quoted investments. The valuation and existence of these investments is the most material matter in the production of the financial statements. Investments are valued using independent pricing sources and the holding quantities at the year end were agreed to the Depositary's records. The Audit Committee reviewed the Administrator's procedures in place for ensuring accurate valuation and existence of investments.

### Recognition of income

Income may not be accrued in the correct period and/or incorrectly allocated to revenue or capital. The Audit Committee reviewed the Administrator's procedures for recognition of income and reviewed the treatment of any special dividends receivable in the year. The Audit Committee also reviewed the Administrator's forecast of revenue against actual revenue received.

### Calculation of management fees

Incorrect amounts may be paid to the Investment Manager and recognised in the accounts if the fees are not calculated correctly. Management fee calculations are circulated to the Directors for review prior to payment. The Audit Committee reviewed the Administrator's procedures in place for the calculation of management fees and a member of the Audit Committee approves management fee invoices prior to payment.

## Conclusion with respect to the Annual Report and financial statements

The Audit Committee has concluded that the Annual Report for the period ended 31 October 2016, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's business model, strategy and performance. The Audit Committee has reported its conclusions to the Board of Directors. The Audit Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the annual report.

## Audit tenure

Ernst & Young LLP was selected as the Company's auditor at the time of the Company's launch following a competitive process and review of the Auditor's credentials. The appointment of the external auditor will be reviewed annually by the Audit Committee and the Board and is subject to approval by Shareholders. In accordance with the FRC guidance, the audit will be put out to tender within ten years of the initial appointment of Ernst & Young LLP.

## Effectiveness of external audit

The Audit Committee is responsible for reviewing the effectiveness of the external audit process. The Audit Committee received a presentation of the audit plan from the external auditor prior to the commencement of the audit and a presentation of the results of the audit following completion of the main audit testing. The Audit Committee performed a review of the external auditor following the presentation of the results of the audit. The review included a discussion of the audit process and the ability of the external auditor to fulfil its role. Following the above review, the Audit Committee has agreed that the re-appointment of the Auditors should be recommended to the Board and the Shareholders of the Company.

## Provision of non-audit services

The Audit Committee has put a policy in place on the supply of any non-audit services provided by the external auditor. Such services are considered on a case-by-case basis and may only be provided to the Company if the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent.

During the period Ernst & Young LLP provided reporting accountant services in relation to the initial listing of the Company on the London Stock Exchange. Ernst & Young LLP also provided taxation services to the Company in relation to its application for investment trust status. In light of the recent changes to the Ethical Standards (FRC ES 2016), Ernst & Young LLP will no longer be able to provide the Company with the full scope of these services. This is valid for accounting periods beginning on or after 17 June 2016, therefore this is valid starting 1 November 2016.

Fees paid to Ernst & Young LLP in respect of non-audit services are disclosed in note 5.

**John Scott**
*Audit Committee Chairman*
31 January 2017

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 The Financial Reporting Standard applicable to the UK and Republic of Ireland and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company as at the end of the year and of the net return for the year. In preparing these accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the Company's website at **www.ccjapanincomeandgrowthtrust.com** which is maintained by the Company's Investment Manager. The work carried out by the auditors does not involve consideration of the maintenance and integrity of these websites and, accordingly, the auditors accept no responsibility for any changes that have occurred to the accounts since being initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' confirmation statement

The Directors each confirm to the best of their knowledge that:

(a) the accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and

(b) this Annual Report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Having taken advice from the Audit Committee, the Directors consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

For and on behalf of the Board

**John Scott**
*Director*
31 January 2017

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CC JAPAN INCOME & GROWTH TRUST PLC

## Our opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 October 2016 and of its profit for the period then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## What we have audited

CC Japan Income & Growth Trust PLC's financial statements comprise:

| |
|---|
| Income Statement for the period ended 31 October 2016 |
| Statement of Financial Position as at 31 October 2016 |
| Statement of Changes in Equity for the period ended 31 October 2016 |
| Statement of Cash Flows for the period ended 31 October 2016 |
| Related notes 1 to 21 to the financial statements |

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

## Overview of our audit approach

| | |
|---|---|
| Risks of material misstatement | • Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment.<br>• Incorrect valuation and existence of the investment portfolio. |
| Audit scope | • All audit work was performed directly by the audit engagement team. |
| Materiality | • Materiality of £981,000 which represents 1% of equity shareholders' funds. |

## Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those with the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

| Risk | Our response to the risk | What we concluded to the Audit Committee |
|---|---|---|
| Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or apply appropriate accounting treatment (as described on page 25 in the Report of the Audit Committee).<br><br>The investment income receivable by the Company during the period directly drives the Company's ability to make a dividend payment to shareholders. The investment income receivable for the period to 31 October 2016 was £3,220,000 (as disclosed in Note 3 to the financial statements).<br><br>If the Company is not entitled to receive the dividend income recognised in the financial statements or the income recognised does not relate to the current financial period, this could impact the perception of profits available to fund dividend distributions to shareholders. | We have performed the following procedures:<br><br>We agreed a sample of dividends to the corresponding announcement made by the investee company and agreed cash received to bank statements.<br><br>For a sample of dividends accrued at period end, we reviewed the investee company announcements to assess whether the dividend obligation arose prior to 31 October 2016.<br><br>We agreed a sample of accrued dividends to post period end bank statements to assess the recoverability of these amounts.<br><br>We have reviewed the recognition criteria applied to the special dividends received during the period to ensure that the accounting treatment adopted is consistent with our interpretation of the underlying commercial circumstances giving rise to these dividends. | The results of our procedures are:<br><br>We noted no issues on agreeing the sample of dividend receipts to and from an independent source and to the bank statements.<br><br>We noted no issues in agreeing the sample of dividend declarations to the income entitlements recorded by the Company.<br><br>We noted no issues in agreeing the sample of accrued dividend receipts to an independent source and to the subsequent bank statements.<br><br>We confirmed that the accounting treatment adopted for special dividends was consistent with the underlying company announcements provided and our understanding of the circumstances giving rise to the related dividends. |
| Incorrect valuation and existence of the investment portfolio (as described on page 25 of the Report of the Audit Committee).<br><br>The valuation of the portfolio at 31 October 2016 was £96,638,000, consisting of listed equities and contracts for difference.<br><br>The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders. | We performed the following procedures:<br><br>For all investments in the portfolio, we confirmed the prices to an independent source.<br><br>We have reviewed the period end reconciliation of investments and have independently obtained confirmations from the Company's custodian and depositary. We have then performed a reconciliation with the Company's reported investments to confirm the existence and completeness of the assets held as at 31 October 2016. | The results of our procedures are:<br><br>For all investments, we noted no material differences in market value or exchange rates.<br><br>We noted no differences between the custodian and depositary confirmations and the Company's underlying financial records. |

## The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

## Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined planning materiality for the Company to be £981,000, which is 1% of equity shareholders' funds. We derived our materiality calculation from a proportion of total equity as we consider that to be the most important financial metric on which shareholders judge the performance of the Company.

### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 50% of planning materiality, being £490,000. We have set performance materiality at this percentage as this is our first statutory audit of the Company.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold of £127,000 for the revenue column of the Income Statement, being 5% of the revenue return on ordinary activities before taxation.

### Reporting threshold

*An amount below which identified misstatements are considered to be clearly trivial.*

We agreed with the Audit Committee that we would report all audit differences in excess of £49,000, which is 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 27 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and

### Matters on which we are required to report by exception

| | | |
|---|---|---|
| **ISAs (UK and Ireland) reporting** | We are required to report to you if, in our opinion, financial and non-financial information in the annual report is:<br>• materially inconsistent with the information in the audited financial statements; or<br>• apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or<br>• otherwise misleading.<br>In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed. | We have no exceptions to report. |
| **Companies Act 2006 reporting** | We are required to report to you if, in our opinion:<br>• adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or<br>• the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or<br>• certain disclosures of Directors' remuneration specified by law are not made; or<br>• we have not received all the information and explanations we require for our audit. | We have no exceptions to report. |
| **Listing Rules review requirements** | We are required to review:<br>• the Directors' statement in relation to going concern set out on page 15, and longer-term viability, set out on page 10; and<br>• the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. | We have no exceptions to report. |

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CC JAPAN INCOME & GROWTH TRUST PLC continued

### Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

| | | |
|---|---|---|
| **ISAs (UK and Ireland) reporting** | We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:<br>• the Directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;<br>• the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;<br>• the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and<br>• the Directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. | We have nothing material to add or to draw attention to. |

**Matthew Price (Senior Statutory Auditor)**

for and on behalf of Ernst & Young LLP, Statutory Auditor
London
31 January 2017

# INCOME STATEMENT

## FOR THE PERIOD FROM 28 OCTOBER 2015 TO 31 OCTOBER 2016

| | Note | Revenue £000 | Capital £000 | Total £000 |
|---|---|---|---|---|
| Gains on investments held at fair value | 9 | – | 16,510 | 16,510 |
| Income | 3 | 3,220 | – | 3,220 |
| Investment management fee | 4 | (97) | (386) | (483) |
| Other expenses | 5 | (343) | – | (343) |
| **Return on ordinary activities before finance costs and taxation** | | **2,780** | **16,124** | **18,904** |
| Finance costs | 6 | (26) | (61) | (87) |
| **Return on ordinary activities before taxation** | | **2,754** | **16,063** | **18,817** |
| Taxation | 7 | (280) | 13 | (267) |
| **Return on ordinary activities after taxation** | | **2,474** | **16,076** | **18,550** |
| Return per Ordinary Share* | 18 | 3.60p | 23.39p | 26.99p |

The total column of the Income Statement is the profit and loss account of the Company. All revenue and capital items in the above statement derive from continuing operations.

Both the supplementary revenue and capital columns are prepared under guidance from the Association of Investment Companies. There is no other comprehensive income and therefore the return for the period is also the total comprehensive income for the period.

* The return per Ordinary Share does not take into account share issue expenses.

The notes on pages 37 to 51 form part of these accounts

# STATEMENT OF FINANCIAL POSITION

## AT 31 OCTOBER 2016

| | Note | £000 |
|---|---|---|
| **Fixed assets** | | |
| Investments at fair value through profit or loss | 9 | 96,638 |
| **Current assets** | | |
| Debtors | 10 | 793 |
| Amounts due in respect of contracts for difference | 10 | 580 |
| Cash collateral paid in respect of contracts for difference | | 1,018 |
| Cash at bank | | 873 |
| | | **3,264** |
| **Creditors: amounts falling due within one year** | | |
| Creditors | 11 | (267) |
| Amounts payable in respect of contracts for difference | 11 | (1,550) |
| | | **(1,817)** |
| **Net current assets** | | **1,447** |
| **Total assets less current liabilities** | | **98,085** |
| **Total net assets** | | **98,085** |
| **Capital and reserves** | | |
| Share capital | 12 | 792 |
| Share premium | 13 | 14,761 |
| Special reserve | 14 | 64,671 |
| Capital reserve | 15 | 16,076 |
| Revenue reserve | 16 | 1,785 |
| **Total Shareholders' funds** | | **98,085** |
| **NAV per share – Ordinary Shares (pence)** | 19 | **123.91p** |

Approved by the Board of Directors and authorised for issue on 31 January 2017 and signed on their behalf by:

**John Scott**
Director

CC Japan Income & Growth Trust plc is incorporated in England with registered number 9845783.

The notes on pages 37 to 51 form part of these accounts

# STATEMENT OF CHANGES IN EQUITY

## FOR THE PERIOD FROM 28 OCTOBER 2015 TO 31 OCTOBER 2016

| | Note | Share capital £000 | Share Premium Account £000 | Special Reserve £000 | Capital Reserve £000 | Revenue Reserve £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **Beginning of period** | | – | – | – | – | – | – |
| Return on ordinary activities | | – | – | – | 16,076 | 2,474 | 18,550 |
| Issue of shares | 12,13 | 792 | 80,805 | – | – | – | 81,597 |
| Transfer to special reserve | 14 | – | (64,671) | 64,671 | – | – | – |
| Share issue costs | 13 | – | (1,373) | – | – | – | (1,373) |
| Dividends paid | 8 | – | – | – | – | (689) | (689) |
| **Balance at 31 October 2016** | | **792** | **14,761** | **64,671** | **16,076** | **1,785** | **98,085** |

Distributable reserves comprise: the revenue reserve; and capital reserves attributable to realised profits including the special reserve.

Share capital represents the nominal value of shares that have been issued. The share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

The notes on pages 37 to 51 form part of these accounts

# STATEMENT OF CASH FLOWS

## FOR THE PERIOD FROM 28 OCTOBER 2015 TO 31 OCTOBER 2016

| | £000 |
|---|---|
| **Return on ordinary activities before finance costs and taxation*** | **18,904** |
| | |
| Gains on investments | (18,365) |
| Increase in debtors | (793) |
| Increase in other creditors | 163 |
| Amounts due in respect of CFDs | (580) |
| Increase in cash collateral paid in respect of CFDs | (1,018) |
| Increase in amounts payable in respect of CFDs | 1,550 |
| Finance costs paid | (84) |
| Tax paid on unfranked income - overseas | (267) |
| **Net cash outflow from operating activities** | **(490)** |
| **Cash flows from investing activities** | |
| Purchases of investments | (102,831) |
| Proceeds from sales of investments | 24,659 |
| **Net cash used in investing activities** | **(78,172)** |
| **Cash flows from financing activities** | |
| Issue of Ordinary Share capital | 81,597 |
| Payment of Ordinary Share issue costs | (1,373) |
| Equity dividends paid | (689) |
| **Net cash inflow from financing activities** | **79,535** |
| **Increase in cash and cash equivalents** | **873** |
| Cash and cash equivalents at the beginning of period | – |
| **Cash and cash equivalents at the end of the period** | **873** |
| Comprised of: | |
| Cash and cash equivalents | |
| **Cash and cash equivalents at the end of the period** | **873** |

*Cash inflow from dividends was £ 2,358,461.

The notes on pages 37 to 51 form part of these accounts

# NOTES TO THE ACCOUNTS

## 1. GENERAL INFORMATION

CC Japan Income & Growth Trust plc (the "Company") was incorporated in England and Wales on 28 October 2015 with registered number 9845783, as a closed-ended investment company. The Company commenced its operations on 15 December 2015. The Company intends to carry on business as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010.

The Company's investment objective is to provide Shareholders with dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan.

The Company's shares were admitted to the Official List of the UK Listing Authority with a premium listing on 15 December 2015. On the same day, trading of the Ordinary Shares commenced on the London Stock Exchange. The registered office is Mermaid House, 2 Puddle Dock, London, EC4V 3DB.

## 2. ACCOUNTING POLICIES

The principal accounting policies followed by the Company are set out below:

### (a) Basis of accounting

The financial statements have been prepared in accordance with FRS 102 ("the Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council) and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (issued in November 2014). The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis.

The financial statements have been presented in Sterling (£).

### (b) Investments

As the Company's business is investing in financial assets with a view to profiting from their total return in the form of increases in fair value, financial assets are designated as held at fair value through profit or loss in accordance with FRS 102 Section 11: 'Basic Financial Instruments', and Section 12: 'Other Financial Instruments'. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the investments is provided on this basis to the Board of Directors.

Upon initial recognition investments are designated by the Company "at fair value through profit or loss". They are accounted for on the date they are traded and are included initially at fair value which is taken to be their cost. Subsequently investments are valued at fair value which is the bid market price for listed investments.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the capital column of the income statement within "gains/(losses) on investments held at fair value through profit or loss".

### (c) Derivatives

Derivatives which comprise of Contracts for Differences (CFDs) are held at fair value by reference to the underlying market value of the corresponding security. Gains and losses on these derivative transactions are recognised in the Income Statement. They are recognised as capital and are shown in the capital column of the Income Statement if they are of a capital nature, and are recognised as revenue and shown in the revenue column of the Income Statement if they are of a revenue nature. To the extent that any gains or losses are of a mixed revenue and capital nature, they are apportioned between revenue and capital accordingly.

### (d) Foreign currency

Transactions denominated in foreign currencies including dividends are translated into sterling at actual exchange rates as at the date of the transaction. Assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period end. Foreign exchange movements on investments and derivatives are included in the Income Statement within gains on investments. Any other gain or loss is included as an exchange gain or loss to capital or revenue in the Income Statement as appropriate.

## 2. ACCOUNTING POLICIES continued

### (e) Income

Investment income has been accounted for on an ex-dividend basis or when the Company's right to the income is established. Special dividends are credited to capital or revenue in the Income Statement, according to the circumstances surrounding the payment of the dividend. Overseas dividends are included gross of withholding tax.

Interest receivable on deposits is accounted for on an accruals basis.

### (f) Expenses

All expenses are accounted for on an accruals basis and are charged as follows:

- the basic investment management fee is charged 20% to revenue and 80% to capital;
- CFD finance costs are charged 20% to revenue and 80% to capital;
- investment transactions costs are allocated to capital; and
- other expenses are charged wholly to revenue.

### (g) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the Statement of Financial Position because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were applicable at the balance sheet date.

Where expenses are allocated between capital and revenue any tax relief in respect of the expenses is allocated between capital and revenue returns on the marginal basis using the Company's effective rate of corporation taxation for the accounting period.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the financial reporting date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the financial reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the timing differences can be deducted. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise.

### (h) Other receivables and other payables

Other receivables and other payables do not carry any interest and are short term in nature and are accordingly stated at their nominal value.

### (i) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business being that of an Investment Trust as explained in note 1.

### (j) Estimates and assumptions

The preparation of financial statements requires the Directors to make estimates and assumptions that affect items reported in the Statement of financial position and Income Statement and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions, the Company's actual results may ultimately differ from those estimates, possibly significantly.

There have not been any instances requiring any significant estimates or judgements in the period.

## 3. INCOME

| | Period ended 31 October 2016 £000 |
|---|---|
| **Income from investments** | |
| Overseas dividends | 3,220 |
| | **3,220** |

## 4. INVESTMENT MANAGEMENT FEE

| | Period ended 31 October 2016 £000 |
|---|---|
| Basic fee: | |
| 20% charged to revenue | 97 |
| 80% charged to capital | 386 |
| | **483** |

The Company's Investment Manager is Coupland Cardiff Asset Management LLP. The Investment Manager is entitled to receive a management fee payable monthly in arrears and is at the rate of one-twelfth of 0.75% of Net Asset Value per calendar month. There is no performance fee payable to the Investment Manager.

## 5. OTHER EXPENSES

| | Period ended 31 October 2016 £000 |
|---|---|
| Secretarial services | 46 |
| Administration expenses | 160 |
| Auditor's remuneration – audit services | 42 |
| – non-audit* | 8 |
| Directors' fees | 87 |
| | **343** |

*Ernst & Young LLP non – audit services relates to corporation tax compliance work.

In addition to the above, Ernst & Young LLP was paid £60,600 for work performed in connection with the Company's launch. These costs form part of the IPO and launch costs figure in note 13.

## 6. FINANCE COSTS

| | Period ended 31 October 2016 £000 |
|---|---|
| Interest paid | 11 |
| CFD finance cost and structuring fee – 20% charged to income | 14 |
| Structure fees – 20% charged to income | 1 |
| | **26** |
| CFD finance cost and structuring fee – 80% charged to capital | 56 |
| Structure fees – 80% charged to capital | 5 |
| | **61** |

## 7. TAXATION

| | Revenue £000 | Capital £000 | Period ended 31 October 2016 Total £000 |
|---|---|---|---|
| **(a) Analysis of tax charge in the period:** | | | |
| Corporation tax | 13 | (13) | – |
| Overseas tax | 267 | – | 267 |
| **Total tax charge for the period (see note 7 (b))** | **280** | **(13)** | **267** |

**(b) Factors Affecting the Tax Charge for the Period:**

The tax assessed for the period is lower than the 20% standard rate of corporation tax in the UK for a large company. The differences are explained below:

| | Revenue £000 | Capital £000 | Period ended 31 October 2016 Total £000 |
|---|---|---|---|
| **Total return before taxation** | **2,754** | **16,063** | **18,817** |
| UK corporation tax at 20% | 551 | 3,212 | 3,763 |
| Effects of: | | | |
| Overseas tax suffered | 267 | – | 267 |
| Non-taxable overseas dividends | (543) | – | (543) |
| Capital gains not subject to tax | – | (3,301) | (3,301) |
| Finance costs | 5 | 12 | 17 |
| Movement in unutilised management expenses | – | 64 | 64 |
| **Total tax charge** | **280** | **(13)** | **267** |

The Company is not liable to tax on capital gains due to its status as an investment trust. Due to the Company's status as an investment trust and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the company has an unrecognised deferred tax asset of £54,000 based on the long term prospective corporation tax rate of 17%. This asset has accumulated because deductible expenses exceeded taxable income in the period ended 31 October 2016. No asset has been recognised in the accounts because, given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future.

## 8. DIVIDEND

The dividend relating for the period ended 31 October 2016 which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered is detailed below:

| | Pence per Ordinary Share | Period ended 31 October 2016 £000 |
|---|---|---|
| First interim dividend – Paid | 1.00p | 689 |
| Final dividend – Payable* | 2.00p | 1,583 |
| **Total** | **3.00p** | **2,272** |

*Not included as a liability in the period ended 31 October 2016 accounts.

The Directors have declared a final dividend for the financial period ending 31 October 2016 of 2.00p per Ordinary Share. Subject to Shareholder approval the dividend will be paid on 29 March 2017, to Shareholders on the register at the close of business on 17 February 2017.

## 9. INVESTMENTS

### (a) Summary of valuation

| | As at 31 October 2016 £000 |
|---|---|
| Investments listed on a recognised overseas investment exchange | 96,638 |
| | **96,638** |

### (b) Movements

In the period ended 31 October 2016

| | Quoted Overseas £000 | Total 2016 £000 |
|---|---|---|
| Book cost at beginning of period | – | – |
| Gains on investments held at beginning of period | – | – |
| Valuation at beginning of period | – | – |
| Purchases at cost | 102,932 | 102,932 |
| Sales: | | |
| – proceeds | (24,659) | (24,659) |
| – gains on investment holdings sold in the period | 1,796 | 1,796 |
| Movements in gains on investment holdings held at end of period | 16,569 | 16,569 |
| **Valuation at end of period** | **96,638** | **96,638** |
| | | |
| Book cost at end of period | 80,069 | 80,069 |
| Gains on investment holdings at period end | 16,569 | 16,569 |
| **Valuation at end of period** | **96,638** | **96,638** |

Transaction costs on investment purchases for the period ended 31 October 2016 amounted to £68,000 and on investment sales for the period amounted to £21,000.

# NOTES TO THE ACCOUNTS continued

## 9. INVESTMENTS continued

### (c) Gains/(losses) on investments

| | Period ended 31 October 2016 £000 |
|---|---|
| Gains on investment holdings sold in period | 1,796 |
| Movements in gains on investment holdings held at the period end | 16,569 |
| **Total gains on investments** | **18,365** |
| Realised losses on CFD assets and liabilities | (1,178) |
| Unrealised losses on CFD assets and liabilities | (677) |
| **Total gains on investments held at fair value through profit or loss** | **16,510** |

## 10. DEBTORS

| | As at 31 October 2016 £000 |
|---|---|
| Amounts due in respect of CFDs | 580 |
| Accrued income | 782 |
| Prepayments | 11 |
| | **1,373** |

## 11. CREDITORS

| | As at 31 October 2016 £000 |
|---|---|
| Amounts falling due within one year: | |
| Purchases for future settlement | 101 |
| Amounts payable in respect of CFDs | 1,550 |
| Accrued expenses | 166 |
| | **1,817** |

## 12. SHARE CAPITAL

| | As at 31 October 2016 No of Shares | As at 31 October 2016 £000 |
|---|---|---|
| Allotted, issued & fully paid: | | |
| Ordinary Shares of 1p | 79,160,162 | 792 |
| | **79,160,162** | **792** |

On incorporation, the issued share capital of the Company was £0.01 represented by one Ordinary Share, held by Coupland Cardiff Asset Management LLP as subscriber to the Company's memorandum of association. The Ordinary Share was fully paid up.

To enable the Company to obtain a certificate of entitlement to conduct business and to borrow under Section 761 of the Companies Act 2006, on 10 November 2015, 50,000 redeemable shares were allotted to the Investment Manager. The redeemable shares were paid up as to one quarter of their nominal value and were redeemed at the same price, immediately following Admission 15 December 2015 out of the proceeds of the Issue.

On 15 December 2015, 66,499,999 Ordinary Shares of 1p each were allotted and issued to shareholders as part of the placing and offer for subscription in accordance with the Company's prospectus dated 13 November 2015. The price paid per share was 100p.

During the period under review a further 12,660,162 Ordinary Shares were issued. The price paid per share ranged from 100.8p to 123.0p and the total raised amounted to £15,121,000.

### Share Movement

The table below sets out the share movement since incorporation (28 October 2015) to 31 October 2016.

For the period from 28 October 2015 to 31 October 2016

| | Shares issued | Shares redeemed | Shares in issue As at 31 October 2016 |
|---|---|---|---|
| Redeemable shares | 50,000 | 50,000 | – |
| Ordinary Shares of 1p | 79,160,162 | – | **79,160,162** |

## 13. SHARE PREMIUM

| | As at 31 October 2016 £000 |
|---|---|
| Share premium arising on issue of Ordinary Shares | 80,805 |
| Transfer to special reserve | (64,671) |
| IPO and issue costs | (1,373) |
| **Closing balance** | **14,761** |

## 14. SPECIAL RESERVE

| | As at 31 October 2016 £000 |
|---|---|
| Transfer from share premium | 64,671 |
| **Closing balance** | **64,671** |

As stated in the Company's prospectus dated 13 November 2015, in order to increase the distributable reserves available to facilitate the flexibility and source of future dividends, the Company had resolved that, conditional upon First Admission to listing on the London Stock Exchange and the approval of the Court, the net amount standing to the credit of the share premium account of the Company immediately following completion of the First Issue be cancelled and transferred to a special distributable reserve. Following approval by the Court, the cancellation became effective on 23 March 2016 and an amount of £64,671,250 was transferred to the above special reserve at that time.

The special reserve may be used to fund dividend payments.

# NOTES TO THE ACCOUNTS continued

## 15. CAPITAL RESERVE

| | Gains/(losses) on sale of investments £000 | Investment holdings gains/(losses) £000 | Period ended 31 October 2016 Total £000 |
|---|---|---|---|
| Gains on investment holdings sold in the period | 1,796 | – | 1,796 |
| Total realised and unrealised losses on CFD assets and liabilities held at fair value through profit or loss in the period | (1,178) | (677) | (1,855) |
| Movement in investment holdings at period end | – | 16,569 | 16,569 |
| Investment Management fee charged to capital | (386) | – | (386) |
| Northern Trust Structuring fee charged to capital | (5) | – | (5) |
| CFD fee charged to capital | (56) | – | (56) |
| Current Tax Transfer | 13 | – | 13 |
| **Closing balance** | **184** | **15,892** | **16,076** |

## 16. REVENUE RESERVE

| | Period ended 31 October 2016 £000 |
|---|---|
| Retained profit for the period | 2,474 |
| Dividend paid | (689) |
| **Closing balance** | **1,785** |

## 17. FINANCIAL COMMITMENTS

At 31 October 2016 there were no commitments in respect of unpaid calls and underwritings.

## 18. RETURN PER ORDINARY SHARE

Total return per ordinary share is based on the return on ordinary activities, including income, for the period after taxation of £18,550,000.

Based on the weighted average of number of 68,726,923 Ordinary Shares in issue from commencement of the Company's operations on 15 December 2015 to 31 October 2016, the returns per share were as follows:

| | Revenue £000 | Capital £000 | Period ended 31 October 2016 Total £000 |
|---|---|---|---|
| Return per Ordinary Share | **3.60p** | **23.39p** | **26.99p** |

Based on the weighted average of 59,629,844 Ordinary Shares in issue during the period from the Company's incorporation on 28 October 2015 to 31 October 2016, the returns per share were as follows:

| | Revenue £000 | Capital £000 | Period ended 31 October 2016 Total £000 |
|---|---|---|---|
| Return per Ordinary Share | **4.15p** | **26.96p** | **31.11p** |

## 19. NET ASSET VALUE PER SHARE

Total Shareholders' funds and the Net Asset Value per share attributable to the ordinary Shareholders at the period end calculated in accordance with the Articles of Association were as follows:

| | Net Asset Value per share As at 31 October 2016 pence | Net assets available As at 31 October 2016 £000 |
|---|---|---|
| Ordinary Shares (79,160,162 shares in issue) | **123.91** | **98,085** |

The Net Asset Value per share is based on total Shareholders' funds above, and on 79,160,162 Ordinary Shares in issue at the period end.

## 20. RELATED PARTY TRANSACTIONS

### Transactions with the Investment Manager and the Alternative Investment Fund Investment Manager ("AIFM")

The Company provides additional information concerning its relationship with the Investment Manager and AIFM, Coupland Cardiff Asset Management LLP. The fees for the period are disclosed in note 4 and amounts outstanding at the period ended 31 October 2016 were £58,272.

### Directors' fees and shareholdings

The Directors' fees and shareholdings are disclosed in the Directors' Remuneration Implementation Report in this Annual Report.

## 21. FINANCIAL INSTRUMENTS AND CAPITAL CLOSURES

### Risk Management Policies and Procedures

As an investment trust the Company invests in equities and equity related derivatives for the long-term so as to secure its investment objective stated on page 2. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends.

These risks, include market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk, and credit risk, and the Directors' approach to the management of them are set out below.

The objectives, policies and processes for managing the risks, and the methods used to measure the risks, are set out below.

### (a) Market Risk

*Economic conditions*

Changes in economic conditions in Japan (for example, interest rates and rates of inflation, industry conditions, competition, political and diplomatic events and other factors) and in the countries in which the Company's investee companies operate could substantially and adversely affect the Company's prospects.

*Sectoral diversification*

The Company has no limits on the amount it may invest in any sector. This may lead to the Company having significant concentrated exposure to portfolio companies in certain business sectors from time to time.

Concentration of investments in any one sector may result in greater volatility in the value of the Company's investments and consequently its NAV and may materially and adversely affect the performance of the Company and returns to Shareholders.

*Unquoted companies*

The Company may invest in unquoted companies from time to time. Such investments, by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risks than investments in listed and quoted securities and they may be more difficult to realise.

## 21. FINANCIAL INSTRUMENTS AND CAPITAL CLOSURES continued

### (a) Market Risk continued

*Management of market risks*

The Company is invested in a diversified portfolio of investments. The Company's investment policy states that no single holding (including any derivative instrument) will represent more than 10% of the Company's Gross Assets at the time of investment and, when fully invested, the portfolio is expected to have between 30 to 40 holdings although there is no guarantee that this will be the case and it may contain a lesser or greater number of holdings at any time. A maximum of 10% of the Company's Gross Assets at the time of investment may be invested in unquoted or untraded companies at time of investment.

The Investment Manager's approach will in most cases achieve diversification across a number of sectors as shown in the Holdings in Portfolio on page 12.

### (b) Currency risks

The majority of the Company's assets will be denominated in a currency other than Sterling (predominantly in Yen) and changes in the exchange rate between Sterling and Yen may lead to a depreciation of the value of the Company's assets as expressed in Sterling and may reduce the returns to the Company from its investments and, therefore, negatively impact the level of dividends paid to Shareholders.

*Management of currency risks*

The Company does not currently intend to enter into any arrangements to hedge its underlying currency exposure to investment denominated in Yen, although the Investment Manager and the Board will keep this approach under regular review.

*Foreign currency exposures*

An analysis of the Company's equity investments and Contracts for Difference that are priced in a foreign currency is:

| | As at 31 October 2016 £000 |
|---|---|
| Equity Investments: Yen | 96,638 |
| Receivables (due from brokers, dividends, and other income receivable) | 782 |
| Contracts for Difference: Yen (gross exposure) | 19,327 |
| Cash: Yen | 719 |
| **Total** | **117,466** |

*Foreign currency sensitivity*

If the Japanese Yen had appreciated or depreciated by 10% as at 31 October 2016 then the value of the portfolio as at that date would have increased or decreased as shown below. This percentage has been determined based on the market volatility in exchange rates during the period.

| | Increase in Fair Value As at 31 October 2016 £000 | Decrease in Fair Value As at 31 October 2016 £000 |
|---|---|---|
| Impact on capital return – increase/(decrease) | **11,747** | **(11,747)** |
| Return after taxation – increase/(decrease) | **11,747** | **(11,747)** |

### (c) Leverage risks

*Derivative instruments*

The Company may utilise long only contracts for difference (CFDs) or equity swaps for gearing and efficient portfolio management purposes. Leverage may be generated through the use of contracts for difference or equity swaps. Such financial instruments inherently contain much greater leverage than a non-margined purchase of the underlying security or instrument. This is due to the fact that, generally, only a very small portion (and in some cases none) of the value of the underlying security or instrument is required to be paid in order to make such leveraged investments. As a result of any leverage employed by the Company, small changes in the value of the underlying assets may cause a relatively large change in the Net Asset Value of the Company. Many such financial instruments are subject to variation or other interim margin requirements, which may force premature liquidation of investment positions.

*Borrowing risks*

The Company may use borrowings to seek to enhance investment returns. While the use of borrowings can enhance the total return on the Ordinary Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the return on the Company's underlying assets is rising at a lower rate than the cost of borrowing or falling, further reducing the total return on the Ordinary Shares. As a result, the use of borrowings by the Company may increase the volatility of the Net Asset Value per Ordinary Share.

Any reduction in the value of the Company's investments may lead to a correspondingly greater percentage reduction in its Net Asset Value (which is likely to adversely affect the price of an Ordinary Share). Any reduction in the number of Ordinary Shares in issue (for example, as a result of buy backs) will, in the absence of a corresponding reduction in borrowings, result in an increase in the Company's level of gearing.

To the extent that a fall in the value of the Company's investments causes gearing to rise to a level that is not consistent with the Company's gearing policy or borrowing limits, the Company may have to sell investments in order to reduce borrowings, which may give rise to a significant loss of value compared to the book value of the investments, as well as a reduction in income from investments.

*Management of leverage risks*

The aggregate of borrowings and long only contracts for difference and equity swap exposure will not exceed 25% of Net Asset Value at the time of drawdown of the relevant borrowings or entering into the relevant transaction, as appropriate, although the Company's normal policy will be to utilise and maintain gearing to a lower limit of 20% of Net Asset Value at the time of drawdown of the relevant borrowings or entering into the relevant transaction, as appropriate. It is expected that any borrowings entered into will principally be denominated in Yen.

As at 31 October 2016, the Company's level of gearing was 19.7%.

### (d) Interest rate risks

The Company is exposed to interest rate risk specifically through its cash holdings and on positions within the CFD portfolio. Interest rate movements may affect the level of income receivable from any cash at bank and on deposits. The effect of interest rate changes on the earnings of the companies held within the portfolio may have a significant impact on the valuation of the Company's investments. Movements in interest rates will also have an impact on the valuation of the CFD derivative contracts, see below for further details.

*Management of interest rate risks*

The possible effects on Fair Value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions. Derivative contracts are not used to hedge against the exposure to interest rate risk.

The Company is exposed to interest rate risk on cash holdings and CFD positions held within the portfolio.

Due to the low interest rate environment no sensitivity analysis is shown because the direct impact of a significant increase in interest rates would be immaterial due to the relatively small proportion of the Company's investment exposure achieved using CFD's.

## 21. FINANCIAL INSTRUMENTS AND CAPITAL CLOSURES continued

*Interest rate exposure*

The exposure at 31 October 2016 of financial assets and liabilities to interest rate risk is shown by reference to floating interest rates – when the interest rate is due to be reset.

| | As at 31 October 2016 due within one year £000 |
|---|---|
| Exposure to floating interest rates: CFD derivative contract – notional long positions | 15,080 |
| Cash at bank | 873 |
| Collateral paid in respect of contracts for difference | 1,018 |

### (e) Credit risks

*Cash and other assets held by the depositary*

Cash and other assets that are required to be held in custody will be held by the depositary or its sub-custodians. Cash and other assets may not be treated as segregated assets and will therefore not be segregated from any custodian's own assets in the event of the insolvency of a custodian. Cash held with any custodian will not be treated as client money subject to the rules of the FCA and may be used by a custodian in the course of its own business. The Company will therefore be subject to the creditworthiness of its custodians. In the event of the insolvency of a custodian, the Company will rank as a general creditor in relation thereto and may not be able to recover such cash in full, or at all.

*Derivative instruments*

Where the Company utilises contracts for difference ("CFDs") or equity swaps, it is likely to take a credit risk with regard to the parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organisation guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

*Management of credit risks*

The Company has appointed Northern Trust Global Services Limited as its depositary. The credit rating of Northern Trust was reviewed at time of appointment and will be reviewed on a regular basis by the Investment Manager and/or the Board.

The Investment Manager monitors the Company's exposure to its counterparties on a regular basis and the position is reviewed by the Directors at Board meetings.

Other risks to the Company are detailed in the Company's prospectus dated 13 November 2015.

The cash is subject to counterparty credit risk as the Company's access to its cash could be delayed should the counterparties become insolvent or bankrupt.

The Company's holdings in CFD contracts present counterparty credit risks, with two counter party stock brokers Morgan Stanley and Macquarie Bank. The Company is exposed to counterparty credit risk from the parties with which it trades and will bear the risk of settlement default. Counterparty credit risk to the Company arises from transactions to purchase or sell instruments and through its investments in long CFDs. CFD contracts generally require variation margins and the counterparty credit risk is monitored by the Investment Manager.

Investment transactions are carried out with a number of brokers, whose credit-standing is reviewed periodically by the Investment Manager, and limits are set on the amount that may be due from any one broker.

In summary, the exposure to credit risk as at 31 October 2016 was as follows:

| | As at 31 October 2016 3 months or less £000 |
|---|---|
| Cash at bank | 873 |
| Amounts due in respect of contracts for difference (CFDs) | 580 |
| Collateral paid in respect of contracts for difference (CFDs) | 1,018 |
| Debtors | 793 |
| | **3,264** |

None of the above assets or liabilities were impaired or past due but not impaired.

### (f) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Company is exposed to market price risk arising from its equity investments and its exposure to the positions within the CFD portfolio. The movements in the prices of these investments result in movements in the performance of the Company.

The Company's exposure to other changes in market prices at 31 October 2016 on its equity investments was £96,638,000.

In addition, the Company's gross market exposure to these price changes through its CFD portfolio was £15,080,000 through long positions.

The Company uses CFDs, as part of its investment policy. These instruments can be highly volatile and potentially expose investors to a higher risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or loss which is high in proportion to the value of the net exposures in the underlying CFD positions. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses.

The Company limits the gross market exposure, and therefore the leverage, of this strategy to approximately 200% of the Company's net assets. The CFDs utilised have a linear performance to referenced stocks quoted on exchanges and therefore have the same volatility profile to the underlying stocks.

Market exposures to derivative contracts are disclosed below.

The gross value represents the aggregate of the long exposures without netting and so within this limit, market exposure may be significantly less. The net exposure refers to the market exposure the Company has to the underlying securities on long CFD positions.

Exposures are monitored daily by the Investment Manager. The Company's Board also reviews exposures regularly.

## 21. FINANCIAL INSTRUMENTS AND CAPITAL CLOSURES continued

### (f) Other Price Risk continued

The gross underlying notional exposures within the CFD portfolio as at 31 October 2016 were:

| | As at 31 October 2016 £000 | As at 31 October 2016 % of net assets |
|---|---|---|
| CFDs – gross exposure relating to long positions | **15,080** | **15.37** |
| Net market exposure | **15,080** | **15.37** |

The Board of Directors manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. The Board meets regularly and at each meeting reviews investment performance. The Board monitors the Investment Manager's compliance with the Company's objective.

*Concentration of exposure to other price risks*

A sector breakdown of the portfolio is contained in the Portfolio on page 12.

*Other price risk sensitivity*

The following table illustrates the sensitivity of the profit after taxation for the period to an increase or decrease of 10% in the fair values of the Company's equities and CFDs. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the notional exposure of the Company's equities investments and long CFDs.

| | As at 31 October 2016 Increase in Fair Value £000 | As at 31 October 2016 Decrease in Fair Value £000 |
|---|---|---|
| Impact on capital return – increase/(decrease) | **11,172** | **(11,172)** |
| Return after taxation – increase/(decrease) | **11,172** | **(11,172)** |

### (g) Liquidity Risk

The securities of small-to-medium-sized (by market capitalisation) companies may have a more limited secondary market than the securities of larger companies. Accordingly, it may be more difficult to effect sales of such securities at an advantageous time or without a substantial drop in price than securities of a company with a large market capitalisation and broad trading market. In addition, securities of small-to-medium-sized companies may have greater price volatility as they can be more vulnerable to adverse market factors such as unfavourable economic reports.

*Management of liquidity risks*

The Company's Investment Manager monitors the liquidity of the Company's portfolio on a regular basis.

*Liquidity risk exposure*

The undiscounted gross cash outflows of the financial liabilities as at 31 October 2016, based on the earliest date on which payment can be required, were as follows:

| | As at 31 October 2016 less than 3 months |
|---|---|
| Amounts payable in respect of contracts for differences | 1,550 |
| Other payables | 267 |
| | **1,817** |

The Company is exposed to liquidity risks from the leverage employed through exposure to long only CFD positions. However, timely sale of trading positions can be impaired by many factors including decreased trading volume and increased price volatility. As a result, the Company could experience difficulties in disposing of assets to satisfy liquidity demands. Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands. The Company's liquidity risk is managed on a daily basis by the Investment Manager in accordance with established policies and procedures in place. Liquidity risk is not significant as the majority of the Company's assets are investments in quoted equities and CFDs that are realisable.

### (h) Fair Value Measurements of Financial Assets and Financial Liabilities

The financial assets and liabilities are either carried in the balance sheet at their Fair Value, or the balance sheet amount is a reasonable approximation of Fair Value (due from brokers, dividends receivable, accrued income, due to brokers, accruals and cash and cash equivalents).

The valuation techniques for investments and derivatives used by the Company are explained in the accounting policies notes 2 (b and c) on page 37.

The table below sets out Fair Value measurements using Fair Value Hierarchy.

| Financial assets and liabilities at fair value through profit or loss as at 31 October 2016 | Level 1 £000 | Level 2 £000 | Total £000 |
|---|---|---|---|
| Assets: | | | |
| Equity investments | 96,638 | – | 96,638 |
| Contracts for difference – Fair Value gains | – | 580 | 580 |
| Liabilities: | | | |
| Contracts for difference – Fair Value losses | – | (1,550) | (1,550) |
| **Total** | **96,638** | **(970)** | **95,668** |

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the Fair Value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs including quoted prices.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data. (there are no Level 3 investments as at 31 October 2016).

In preparing these financial statements the Company has early adopted "Amendments to FRS 102: Fair Value Hierarchy Disclosure (March 2016)" published by the FRC.

### (i) Capital Management Policies and Procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to provide dividend income combined with capital growth, mainly through investment in equities listed or quoted in Japan and by utilising the leverage effect of contracts for difference.

The key performance indicators are contained in the strategic report on page 8.

The Company is subject to several externally imposed capital requirements:

- As a public company, the Company has to have a minimum share capital of £50,000.
- In order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law.

The Company's capital at 31 October 2016 comprises called up share capital and reserves totalling £98,085,000.

The Board regularly monitors, and has complied with, the externally imposed capital requirements.

# THE SECURITIES FINANCING TRANSACTIONS REGULATION (UNAUDITED)

The Securities Financing Transactions Regulation (SFTR) came into effect on 12 January 2016. Article 13 requires information to be provided as to the use of securities financing transactions (SFTs) and total return swaps (TRS).

A Securities Financing Transaction (SFT) is defined as per Article 3 (11) of the SFTR as:

- a repurchase transaction;
- securities or commodities lending and securities or commodities borrowing;
- a buy-sell back transaction or sell-buy back transaction; or
- a margin lending transaction.

As at 31 October 2016 the Fund held the following types of SFTs:

None

As at 31 October 2016 the Fund held the following types of Total Return Swaps:

Contracts for Difference

The amount of securities and commodities on loan as a proportion of total lendable assets (excluding cash and cash equivalents) was 0% as at 31 October 2016.

### GLOBAL DATA:

| Type of Asset | Absolute Amount (£) | Proportion of AUM (%) |
|---|---|---|
| Security Lending | 0 | 0 |
| Repo | 0 | 0 |
| Total Return Swap | **19,326,518** | **16.4** |

### CONCENTRATION DATA:

The largest collateral issuers across all SFTs and Total Return Swaps is as follows:

| | Collateral Issuers | Volume of the collateral securities and commodities £ |
|---|---|---|
| 1 | JPY Cash Collateral | 0 |

The top counterparties across all SFTs and Total Return Swaps is as follows:

| | Counterparty | Gross volume of outstanding trades £ |
|---|---|---|
| 1 | Morgan Stanley & Co Intl Plc | 14,122,561 |
| 2 | Macquarie Bank Limited | 957,835 |

## AGGREGATE TRANSACTION DATA:

| | Type of collateral | Quality | Currency | Maturity tenor (collateral) | Maturity tenor (SFTs/Total Return Swaps) | Country of counterparty establishment (not collateral) | Settlement and clearing |
|---|---|---|---|---|---|---|---|
| **Total Return Swap** | | | | | | | |
| Morgan Stanley & Co Intl Plc | Cash | **High** | **JPY** | **<1 Day** | **>1yr** | **UK** | **Bilateral** |
| Macquarie Bank Limited | Cash | **High** | **JPY** | **<1 Day** | **>1yr** | **Australia** | **Bilateral** |

## REUSE OF COLLATERAL:

The share of collateral that is reused is 0%, this is in comparison to the maximum of 0% as expressed in the prospectus.

The cash collateral reinvestment returns to the fund were 0.

## SAFEKEEPING - Collateral Received:

| Custodian | Collateral assets safe-kept |
|---|---|
| The Northern Trust Company | 0 |

## SAFEKEEPING -Collateral Granted:

The proportion of collateral held in segregated accounts, in pooled accounts or any other accounts is 100%.

## RETURN/COSTS:

| Type of Asset | Cost £ | Absolute Returns £ | % overall returns of Transaction Type |
|---|---|---|---|
| **Alternative Investment Fund:** | | | |
| Total Return Swaps | 18,352 | 1,855,000 | 100 |
| **Manager of the Alternative Investment Fund:** | 0 | 0 | 0 |
| Third parties: | 0 | 0 | 0 |

# DIRECTORS, INVESTMENT MANAGER AND ADVISERS

### DIRECTORS
Harry Wells (Chairman)
John Scott
Mark Smith
Peter Wolton

### BROKER
Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

### DEPOSITARY AND ADMINISTRATOR
Northern Trust Global Services Limited
50 Bank Street
Canary Wharf
London E14 5NT

### REGISTRAR
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

### LEGAL ADVISORS
Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

### INVESTMENT MANAGER
Coupland Cardiff Asset Management LLP
31-32 St James's Street
London SW1A 1HD

### REGISTERED OFFICE*
Mermaid House
2 Puddle Dock
London EC4V 3DB

### COMPANY SECRETARY
PraxisIFM Fund Services (UK) Limited
Mermaid House
2 Puddle Dock
London EC4V 3DB

### AUDITORS
Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY

*Registered in England no. 9845783

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of CC Japan Income & Growth Trust plc will be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London, EC2M 7SH on 22 March 2017 at 12.00 noon for the following purposes:

To consider and if thought fit pass the following resolutions of which resolutions 1 to 12 will be proposed as ordinary resolutions and resolutions 13 and 14 will be proposed as special resolutions.

1. To receive the Company's Annual Report and Accounts for the period from incorporation on 28 October 2015 to 31 October 2016, with the reports of the Directors and auditors thereon.

2. To approve the Directors' Remuneration Policy Report included in the Annual Report for the period from incorporation on 28 October 2015 to 31 October 2016.

3. To approve the Directors' Remuneration Implementation Report included in the Annual Report for the period from incorporation on 28 October 2015 to 31 October 2016.

4. To elect Harry Wells as a Director of the Company.

5. To elect John Scott as a Director of the Company.

6. To elect Mark Smith as a Director of the Company.

7. To elect Peter Wolton as a Director of the Company.

8. To reappoint Ernst & Young LLP as auditors to the Company.

9. To authorise the Directors to fix the remuneration of the auditors until the conclusion of the next Annual General Meeting of the Company.

10. To approve a final dividend of 2p per Ordinary Share of the Company in respect of the period ended 31 October 2016.

11. That the Directors be and are hereby generally and unconditionally authorised (in substitution for all subsisting authorities to the extent unused) to exercise all powers of the Company to allot relevant securities (as defined in section 551 of the Companies Act 2006) up to an aggregate nominal amount equal to £79,081 PROVIDED THAT the Directors may not allot relevant securities of an aggregate nominal amount more than 9.99% of the nominal value of the issued share capital (excluding Treasury Shares) at the date of the Annual General Meeting and that this authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2018 or, if earlier, on the expiry of 15 months from the passing of this resolution (the "section 551 period") but so that the Directors may, at any time prior to the expiry of the section 551 period, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of the section 551 period and the Directors may allot relevant securities in the pursuance of such an offer or agreement as if the authority granted by this resolution had not expired.

12. That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of section 693(4) of the Act) of its Ordinary Shares of 1p each, provided that:

    (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 11,866,108 (representing 14.99 per cent of the Company's issued Ordinary Share capital (excluding shares held in Treasury) at the date of the notice of this meeting);

    (b) the minimum price (exclusive of any expenses) which may be paid for an Ordinary Share is 1p;

    (c) the maximum price (excluding expenses) which may be paid for an Ordinary Share is not more than the higher of (i) 5 per cent above the average of the middle market quotations for the Ordinary Shares for the five business days immediately before the day on which it purchases that share and (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares;

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2018 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and

(e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

13. That, subject to the passing of resolution 11, in substitution for any existing power under section 570 of the Companies Act 2006 but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered, pursuant to section 570 of that Act, to allot and make offers or agreements to allot equity securities (as defined in section 560 of that Act) and/or sell equity securities held as Treasury shares pursuant to section 573 of that Act, in each case for cash pursuant to the authority and for the period of the authority conferred by resolution 11 up to an aggregate nominal amount of £79,081 as if section 561(1) of that Act did not apply to such allotment (subject to a maximum of 9.99 per cent. of the aggregate nominal value of the issued share capital at the date of this resolution).

14. That a general meeting of the Company other than an Annual General Meeting may be called on not less than 14 days' notice, provided that this authority shall expire at the conclusion of the Company's next Annual General Meeting after the date of the passing of this resolution.

Registered Office:

Mermaid House
Puddle Dock
London EC4V 3DB

By order of the Board

Anthony Lee
For and on behalf of
PraxisIFM Fund Services (UK) Limited
*Company Secretary*

31 January 2017

# NOTES TO NOTICE OF ANNUAL GENERAL MEETING

### Website address

1. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, is available from **www.ccjapanincomeandgrowthtrust.com**

### Entitlement to attend and vote

2. Only those holders of Ordinary Shares registered on the Company's register of members at close of business on 20 March 2017 or, if this meeting is adjourned, at close of business on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting.

### Appointment of Proxies

3. Members entitled to attend, speak and vote at the meeting (in accordance with Note 2 above) are entitled to appoint one or more proxies to attend, speak and vote in their place. If you wish to appoint a proxy please use the Form of Proxy enclosed with this document or follow the instructions at note 7 below if you wish to appoint a proxy through the CREST electronic proxy appointment service. In the case of joint members, only one need sign the Form of Proxy. The vote of the senior joint member will be accepted to the exclusion of the votes of the other joint members. For this purpose, seniority will be determined by the order in which the names of the members appear in the register of members in respect of the joint shareholding. The completion and return of the Form of Proxy will not stop you attending and voting in person at the meeting should you wish to do so. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. If you choose to appoint multiple proxies use a separate copy of this form (which you may photocopy) for each proxy, and indicate after the proxy's name the number of shares in relation to which they are authorised to act (which, in aggregate, should not exceed the number of Ordinary Shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned in the same envelope.

4. You can appoint the Chairman of the Meeting, or any other person, as your proxy. If you wish to appoint someone other than the Chairman, cross out the words "the Chairman of the Meeting" on the Form of Proxy and insert the full name of your appointee.

5. You can instruct your proxy how to vote on each resolution by ticking the "For" and "Against" boxes as appropriate (or entering the number of shares which you are entitled to vote). If you wish to abstain from voting on any resolution please tick the box which is marked "Vote Withheld". It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution. If you do not indicate on the Form of Proxy how your proxy should vote, he/she can exercise his/her discretion as to whether, and if how so how, he/she votes on each resolution, as he/she will do in respect of any other business (including amendments to resolutions) which may properly be conducted at the meeting.

   A company incorporated in England and Wales or Northern Ireland should execute the Form of Proxy under its common seal or otherwise in accordance with Section 44 of the Companies Act 2006 or by signature on its behalf by a duly authorised officer or attorney whose power of attorney or other authority should be enclosed with the Form of Proxy.

### Appointment of Proxy using Hard Copy Form

6. The Form of Proxy and any power of attorney (or a notarially certified copy or office copy thereof) under which it is executed must be received by Capita Asset Services at 12.00 noon on 20 March 2017 in respect of the meeting. Any Forms of Proxy received before such time will be deemed to have been received at such time. In the case of an adjournment, the Form of Proxy must be received by Capita Asset Services no later than 48 hours before the rescheduled meeting.

   On completing the Form of Proxy, sign it and return it to Capita Asset Services at the address shown on the Form of Proxy in the envelope provided. As postage has been pre-paid no stamp is required.

### Appointment of Proxy through CREST

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy's appointee through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be lodged at 12.00 noon on 20 March 2017 in respect of the meeting. Any such messages received before such time will be deemed to have been received at such time. In the case of an adjournment, all messages must be lodged with Capita Asset Services no later than 48 hours before the rescheduled meeting.

### Termination of proxy appointments

8. In order to revoke a proxy instruction you will need to inform the Company. Please send a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, BR3 4ZF.

   In the case of a member which is a company, the revocation notice must be executed under its common seal or otherwise in accordance with section 44 of the Companies Act 2006 or by signature on its behalf by an officer or attorney whose power of attorney or other authority should be included with the revocation notice.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified in note 2 opposite then, subject to the paragraph directly below, your proxy will remain valid.

   Completion of a Form of Proxy will not preclude a member from attending and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated.

   If you submit more than one valid proxy appointment in respect of the same Ordinary Shares, the appointment received last before the latest time for receipt of proxies will take precedence.

### Nominated Persons

9. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights:

   - You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (Relevant Member) to be appointed or to have someone else appointed as a proxy for the meeting.

   - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.

- Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in the notes to the form of proxy.

### Questions at the Meeting

10. Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:

- answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

### Issued Shares and total voting rights

11. The total number of shares in issue in the Company is 79,160,162 Ordinary Shares of 1p each. The total number of Ordinary Shares with voting rights is 79,160,162. On a vote by a show of hands, every holder of Ordinary Shares who (being an individual) is present by a person, by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote. On a poll every holder of Ordinary Shares who is present in person or by proxy shall have one vote for every Ordinary Share held by him.

### Communication

12. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):

- calling Capita Asset Services' shareholder helpline (lines are open from 9:00 a.m. to 5:30 p.m. Monday to Friday, excluding public holidays):

  (i) From UK: 0871 664 0300 (calls cost 12p per minute plus network extras);

  (ii) From Overseas: +44 371 664 0300 (calls from outside the UK are charged at applicable international rates); or

- in writing to Capita Asset Services.

You may not use any electronic address provided either in this notice of meeting or in any related documents (including the Form of Proxy for this meeting) to communicate with the Company for any purposes other than those expressly stated.

# CC JAPAN INCOME & GROWTH TRUST PLC
# FORM OF PROXY

I/We ..........................................................................................................................................................................

of ..............................................................................................................................................................................
(BLOCK CAPITALS PLEASE)

being (a) member(s) of CC Japan Income & Growth Trust plc appoint the Chairman of the meeting, or ..............................

(see note 1) ...............................................................................................................................................................

of ..............................................................................................................................................................................

as my/our proxy and, on a poll, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the offices of Stephenson Harwood, 1 Finsbury Circus, London, EC2M 7SH on 22 March 2017 at 12.00 noon and any adjournment thereof.

*Please indicate with an 'X' in the spaces provided how you wish your votes to be cast on the resolutions specified.*

| | Resolution | For | Against | Withheld | Discretionary |
|---|---|---|---|---|---|
| 1. | To receive and adopt the Annual Report and Accounts for the period from incorporation on 28 October 2015 to 31 October 2016. | | | | |
| 2. | To approve the Directors' Remuneration Policy Report. | | | | |
| 3. | To approve the Directors' remuneration implementation report. | | | | |
| 4. | To elect Harry Wells as a Director. | | | | |
| 5. | To elect John Scott as a Director. | | | | |
| 6. | To elect Mark Smith as a Director. | | | | |
| 7. | To elect Peter Wolton as a Director. | | | | |
| 8. | To re-appoint Ernst & Young LLP as auditors to the Company. | | | | |
| 9. | To authorise the Directors to fix the remuneration of the auditors. | | | | |
| 10. | To approve a final dividend of 2p per Ordinary Share. | | | | |
| 11. | To give authority to allot new shares. | | | | |
| 12. | To give authority for the Company to purchase its own shares. | | | | |
| 13. | To give authority to allot new shares free from pre-emption rights. | | | | |
| 14. | To authorise calling general meetings (other than Annual General Meetings) on 14 days' notice. | | | | |

Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on any resolution as he may think fit.

Signature ........................................................................... Dated this ................. day of ......................................... 2017

**NOTES**

1. If any other proxy is preferred, strike out the words "Chairman of the Meeting" and add the name and address of the proxy you wish to appoint and initial the alteration. The proxy need not be a member.
2. If the appointer is a corporation this form must be completed under its common seal or under the hand of some officer or attorney duly authorised in writing.
3. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for or against a resolution.
4. The signature of any one of joint holders will be sufficient, but the names of all the joint holders should be stated.
5. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you).
   Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
6. To be valid, this form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power, must reach the registrars of the Company, Capita Asset Services not less than forty-eight hours before the time appointed for holding the General Meeting or adjournment as the case may be.
7. The completion of this form will not preclude a member from attending the Meeting and voting in person.
8. Any alteration of this form must be initialled.
   Your completed and signed proxy form should be posted, in the enclosed reply paid envelope, to the Company's Registrars, Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, BR3 4ZF, so as to arrive before 12.00 noon on 20 March 2017.