Perpetual Japanese Investment Trust plc

Report and Accounts
Year Ended 31 July 2007

If you have any queries about Perpetual Japanese Investment Trust plc, or any of the other specialist funds managed by Invesco Perpetual, please contact the Investor Services team on

☎ 0800 085 8677

www.invescoperpetual.co.uk/investmenttrusts

Contents

Investment Objective

Perpetual Japanese Investment Trust plc's ("the Company's") objective is to achieve long-term capital growth by investing in a diversified portfolio of quoted Japanese securities. Details of the Company's investment policy are given in the Report of the Directors on page 11.

Share Capital and Gearing

The Company's share capital consists of 92,165,333 ordinary shares of 10p each.

ISA and PEP Eligibility

The ordinary shares of the Company are eligible for investment via an ISA and are available for PEP transfer.

Glossary of Terms

There is a glossary of terms on page 45 which defines some of the technical references used in this report.

The Association of Investment Companies

FINANCIAL INFORMATION AND PERFORMANCE STATISTICS

Performance Statistics

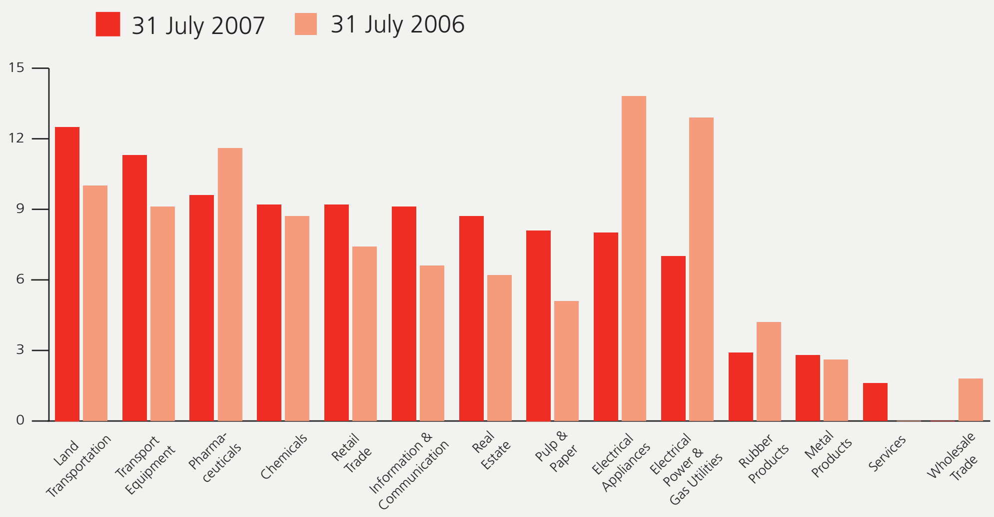
Terms marked † are defined in the Glossary of Terms on page 45.

	AT 31 JULY 2007	AT 31 JULY 2006	% CHANGE
Total net assets (£'000)	51,767	55,857	–7.3
Net asset value† per ordinary share	56.2p	60.6p	–7.3
Mid-market price per ordinary share	50.75p	57.25p	–11.4
Discount per ordinary share	9.7%	5.5%	
FTSE World Japan Index (in Sterling)	112.99	117.19	–3.6
Tokyo TOPIX Index (in Sterling)	7.05	7.36	–4.2
Tokyo TOPIX Index (in Yen)	1,706.2	1,572.0	+8.5
Actual Gearing†	104	103	
Asset Gearing†	104	101	
Total Expense Ratio†	1.2%	1.4%	

5 Year Record

YEAR ENDED 31 JULY	2007	2006	2005	2004	2003
Net asset value per share	56.2p	60.6p	49.0p	47.0p	39.1p
Share price	50.75p	57.25p	44.00p	40.75p	34.50p
Total Return	(4.4)p	11.7p	1.9p	7.9p	(1.5)p

Allocation of Portfolio by Sector



A full analysis of all sectors is given in the Classification of Investments on page 8.

CHAIRMAN'S STATEMENT

During the financial year ended 31 July 2007, the Japanese stockmarket fell by 4.2 per cent. (Tokyo TOPIX Index) expressed in sterling and the net asset value of the Company's portfolio fell by 7.3 per cent. The mid-market price per ordinary share fell by 11.4 per cent. from 57.25p to 50.75p. Accordingly, the discount of share price to NAV widened from 5.5 per cent. to 9.7 per cent.

The year to July was characterised by sluggish domestic demand in Japan, ameliorated by buoyant exports. Overall growth rates in GNP and corporate profits proved a disappointment for many investors. The yen, too, was weak. At the start of 2006, one pound sterling would buy a little over 200 Yen. At the low point in July 2007, the same pound would buy 251 Yen. Since then there has been a recovery in the Yen/£ rate, back to 226; some of the recent fall in the equity market has therefore been cushioned by the recovering value of the Japanese currency. Beneficial as this is for holders of yen assets, a stronger yen will do nothing for the long struggle to eradicate deflation in Japan - a process which in recent months has come to a virtual standstill.

Your Company's portfolio has reflected a cautious strategy preferring investments in industries that are less likely to be affected by the economic cycle. With the exception of a brief period of underperformance in the spring of 2007, this strategy has been successful. (The Fund ranked top in its peer group in NAV performance over one year as at 19 September 2007). Investors have found it difficult to put a value on the earnings of Japanese cyclicals – one aspect of the wider financial market problem regarding the appropriate pricing of risk which has been highlighted since the end of the review period by the sub-prime crisis. The attention to fundamental valuation has been central to the portfolio construction process. In view of the economic outlook, the Manager feels that this strategy of avoiding cyclical sectors with unappealing risk/reward prospects and emphasising value remains appropriate. The portfolio's high exposure to the pulp and paper sector in which the largest companies are valued close to their break up value and to companies with above average yields reflects this search for value.

Within the sluggish overall economic outlook, the technology sector does seem to offer the prospect of fundamental improvement. Despite ongoing deflation, the worldwide rise in food commodity prices should be of benefit to some retailers in Japan. Should the yen strengthen further against sterling, and the market achieve a more appropriate pricing of risk, shareholders in Perpetual Japanese Investment Trust may find the current year more rewarding than its predecessor.

Special Business at the Annual General Meeting

As special business of the Annual General Meeting (AGM) the Board asks again for Directors' authority to purchase up to 13,815,583 of the Company's own shares, this being 14.99 per cent. of the Company's issued ordinary share capital, as set out in Special Resolution 6. Companies may hold shares repurchased as "treasury shares" with a view to possible resale at a future date, as an alternative to simply having to cancel them. Accordingly, the Directors might consider holding repurchased shares pursuant to the authority conferred by Resolution 6 as treasury shares with a view to possible resale. However, shares will only be repurchased at a price per share below the prevailing net asset value per share.

Special Resolution 7 seeks again Directors' authority to allot up to an aggregate nominal amount of £3,072,177 new ordinary shares, or one third of the Company's issued ordinary share capital. It also seeks authority to allot or (in the case of treasury shares) sell ordinary shares, either pursuant to a rights issue up to 5 per cent. of the issued ordinary share capital, whilst disapplying pre-emption rights. To take account of the possibility of treasury shares, the disapplication of pre-emption rights has been extended to apply to the resale of treasury shares (if any) in the same way as to the allotment of new securities. Shares held in treasury will only be reissued on terms which are in the best interest of shareholders.

During the year ended 31 July 2007, the Company has not undertaken any share buy backs. However, the Board considers it prudent to have those authorities in place since they provide valuable means of managing the discount and maintaining liquidity in the shares.

Special Resolution 8 seeks to adopt revised Articles of Association for the Company. The Resolution concerns amendments to the Articles of Association of the Company, following the introduction of certain provisions of the Companies Act 2006, which came into force on 1 January, 20 January and 6 April 2007, as well as the implementation of the Transparency Directive on 20 January 2007. Broadly, the proposed changes to the Articles of Association allow the Company to communicate with shareholders electronically via its website if it so chooses, unless a shareholder wishes to continue receiving information in hard copy; to remove the maximum age for Directors; and to change a number of references to statutory provisions in the Companies Act 1985 which have now been replaced by corresponding provisions in the Companies Act 2006. Further details are given in the Report of the Directors.

CHAIRMAN'S STATEMENT
continued

Finally, pursuant to changes in UK Listing Rules, listed investment companies are now subject to additional requirements in respect of their published investment policies. To comply with the new standards, the Directors are proposing a restated investment policy to be formally adopted, subject to shareholders' approval of Ordinary Resolution 9 at the Annual General Meeting. The new, restated policy is set out on pages 11 and 12 in the Report of the Directors. It is not expected, or intended, that this will give rise to significant changes in the way the Company's assets are managed.

Your Directors have carefully considered all the resolutions proposed in the Notice to the AGM and consider them all to be in the best interest of shareholders. The Directors therefore recommend that shareholders vote in favour of each resolution.

I look forward to seeing investors at the AGM of the Company on 15 November 2007, where there will be an opportunity to meet members of the Board and the Fund Manager.

Christopher Mitchinson
Chairman
11 October 2007

MANAGER'S REPORT

For much of the year under review your portfolio's more cautious approach achieved good relative gains, but these were eroded toward the end of the period, as there was a strong move upward in "riskier" cyclical shares, in which the portfolio was underweight. Subsequent events in world stockmarkets since the period end have allowed the Company to revert to outperformance, reflecting the Manager's consistent assessment that specific risk in valuations of cyclical earnings in the Japanese stockmarket and wider risks in financial markets warranted a cautious approach. Market weakness stemming from the so-called sub-prime loan problems in the US have led investors to seek safer investments. At the time of writing, your portfolio's performance since the period end has shown a strong recovery in relative performance, in a weak stockmarket environment.

The period under review proved disappointing for many investors in Japan. The optimism toward the economy at the beginning of 2006 was continuously undermined through that year, and thus far through 2007, as the domestic economy remained sluggish. This was chiefly as a result of poor wage growth and subsequent lack of improvement in high street spending, which is the largest part of the economy. Strength in the world economy kept overall Japanese economic activity positive, although Japanese export growth has been slowing in recent months. But the modest growth rates in GNP achieved have not been a sufficient attraction to prevent Japan's stockmarket underperforming. A significant part of this underperformance was the result of the fall in the Japanese currency. For the Sterling investor, the Yen was very weak. At the start of 2006, one pound Sterling would buy a little over 200 Yen. At the low point in July 2007, the same pound would buy 251 Yen. Since then there has been a sharp recovery in the Yen, back to 226; some of the recent fall in the equity market has therefore been cushioned by the recovering value of the Japanese currency. Beneficial as this is for holders of yen assets, a stronger yen will do nothing for the long struggle to eradicate deflation in Japan. A process which in recent months came to a virtual standstill.

Prime Minister Abe, who succeeded the popular Mr Koizumi in September 2006, has recently resigned after just a year in office. Mr Abe's party had suffered a heavy defeat in the Upper House of Parliament in July 2007, which set the stage for Mr Abe's resignation. Clearly, political uncertainty is not a positive for the stockmarket, but neither is the exit of an unpopular Prime Minister a negative. The Manager does not believe that the likely outcome of political events in Japan over the coming months will be the determining factor for the outlook of the stock market.

The Japanese interest rate has been increased twice since Spring 2006, two 0.25 per cent. point increases from zero to 0.5 per cent. Since the second hike in January 2007, the Bank of Japan has kept interest rates on hold as consumer prices have remained depressed and wages per worker have continued to decline. There is also now increasing speculation that the Bank of Japan may not raise rates again for some time to come. Economic growth has also slowed quite markedly in recent quarters. Japan's economy fell by an annual rate of 1.2 per cent. in the second quarter of 2007. This compared with 3.0 per cent. year-on-year growth in the previous quarter and 5.6 per cent. in the fourth quarter of 2006. Importantly, exports and capital investment continue to lead growth in the economy, while domestic consumption remains flat.

Portfolio Review and Strategy

The changes in economic and interest rate expectations seems to have had an important bearing on the areas of the stockmarket that have performed in the period under review. Your portfolio's zero exposure to the banking sector proved beneficial. Financial sector shares have not performed well, especially banks. This is because their earnings growth remains very low, and earnings valuations were relatively high. Although they have managed to improve lending margins, it has been by less than investors were hoping for. The orientation of the Company is to sectors and individual stocks that offer attractive valuation characteristics, including high dividend yields and stable growth. The valuation criteria utilised by the Manager does lead to the identification of when sectors move from cheap to fully valued. This process can be seen in the heavy overweight position in Electric Utilities that the fund held in late 2006. Following significant strength in share prices here, this position was reduced in February 2007.

Reflecting a cautious assessment for earnings growth, the Company has little exposure to commodity and cyclical sectors. The exception to the Manager's avoidance of cyclicals is that about 8 per cent. of the portfolio is invested in the two largest Japanese paper companies, Nippon Paper and Oji Paper. Unlike other cyclicals, paper companies earnings have performed poorly in this economic recovery for several reasons, not least the weak price of the commodity itself in Japan. Efforts at cost-cutting and consolidation within the industry are ongoing, as was seen with the attempted takeover of Hokuetsu paper by Oji paper in 2006. The largest companies are valued close to their break up value, and dividend yields are attractive. The Manager finds this combination of risk and reward attractive.

MANAGER'S REPORT
continued

Overall, the Company's underweight position in cyclicals is a prudent reflection of the Manager's weaker expectations for economic growth, coupled with a lack of valuation attractiveness.

However, the technology sector does seem to offer the prospect of fundamental improvement. After a period of lower prices due to supply pressures, and consequent poor earnings, some producers of commodity technology products, such as LCDs and semiconductors, are seeing prices of their products levelling out, and in some cases rising. This is a sign that the investment cycle in technology is somewhere near the bottom and the Manager has found value in several companies' shares which make materials for electronic products. For example, we have added Zeon to the portfolio, which has a leading market share in LCD optical films which are an essential part of picture quality. Other recent investments have been in Showa Denko, a world leader in the latest hard disk technology, and Tokyo Ohka Kogyo, a leader in resist inks for the etching of semiconductors.

In spite of the ongoing battle with deflation, within the basket of goods that makes up the measure of inflation, Japan is beginning to see the prices of various categories of foods rising in price, especially processed food. This was evident in the first quarter 2007 earnings of food companies. Some retail companies' earnings are especially sensitive to an improvement in prices, and we have added Aeon, Japan's largest supermarket and general merchandiser, to the portfolio.

Your Company's portfolio has seen a strong recovery in relative performance in the recent weeks up to the time of writing, as the so called sub-prime debt crisis starting in the United States has caused a global rout in stockmarkets and focussed investors' attentions back towards a more cautious stance. The underlying strategy of the Company has remained consistent over the last 12 months. Valuation criteria have played, and will continue to play a major role in portfolio construction. We have remained cautious about the economy, about earnings growth, and especially about the risk inherent in investing in cyclical industries at a time when we believe that earnings' growth in these areas will begin to slow down. The portfolio remains focussed on areas of the stockmarket that are reasonably valued, have higher dividend yields, or are more immune from economic disappointment than companies in more cyclical industries. The Manager is of the view that this strategy continues to look appropriate.

Outlook

As we move through 2007 we expect growth from the Japanese economy, but at a decelerating pace. After rising sharply, profit margins in Japan seem to be stagnating at current levels as companies look more toward top line growth than cost cutting. This makes profit growth more sensitive to the overall level of demand in the economy and, after several strong years, this is likely to be slower. These factors are likely constraints on stockmarket upward progress in the short term.

Although the growth outlook remains fairly benign, there are some important risks. Interest rates have been rising in most major economies, and it is unclear whether interest rates may have to stay around these levels for some time. In the United States, the world's largest economy, it is too early to tell whether the problems in the housing market will have an impact on the American high street, but it does not look unlikely, given recent trading statements by large US retailers. China, whose growth has been beneficial for Japan in recent years, is continuing its efforts to cool its economy. Fast growing India has similar policies in place.

Some economists believe ending zero interest rates in Japan could prove to be premature for the economy, as it was in 2000. Similarly, Japanese attempts to improve government finances could have a negative effect on growth if they are accelerated to include the expected rise in consumption tax. Given that there are risks of an economic slowdown, albeit mild, and slower profit growth, we have for some time thought that a period of consolidation in the stockmarket is necessary, where risk is priced more appropriately. We think that this consolidation is likely to continue in 2007, with more defensive sectors, economically speaking, tending to outperform.

We continue to like Japan from a medium term point of view, and view its economy and stockmarket in a period of benign transition. However, we believe that for some time now, valuations have moved ahead, and in spite of recent falls, remain ahead of fundamentals, based on important valuation measures such as price/earnings ratio and dividend yield. This is true particularly, the Manager believes, of earnings growth that is cyclical.

We expect Japan to continue to move gradually out of deflation and monetary policy to reflect the pace of this progress. The Manager believes this will be a very slow process, but a positive one nonetheless.

Paul Chesson
Investment Manager
INVESCO Asset Management Limited
11 October 2007

INVESTMENTS IN ORDER OF VALUATION

AT 31 JULY 2007

Ordinary shares

COMPANY	PRINCIPAL ACTIVITY	VALUATION £'000	% OF PORTFOLIO
East Japan Railway	Land Transportation	3,584	6.7
Nissan Motor	Transport Equipment	3,167	5.9
West Japan Railway	Land Transportation	3,114	5.8
Honda Motor	Transport Equipment	2,924	5.4
Lawson	Retail Trade	2,882	5.4
Takeda Pharmaceuticals	Pharmaceuticals	2,685	4.9
Astellas Pharmaceuticals	Pharmaceuticals	2,511	4.7
Kao	Chemicals	2,237	4.2
Oji Paper	Pulp and Paper	2,226	4.1
Nippon Telegraph & Telephone	Information & Communication	2,205	4.1
Tokyo Gas	Electrical Power & Gas Utilities	2,188	4.1
Nippon Paper	Pulp and Paper	2,127	4.0
NTT Docomo	Information & Communication	2,122	4.0
Ricoh	Electrical Appliances	1,827	3.4
Hirose Electric	Electrical Appliances	1,582	2.9
Sumitomo Rubber	Rubber Products	1,580	2.9
JS Group	Metal Products	1,499	2.8
Japan Retail Fund	Real Estate	1,340	2.5
Japan Real Estate	Real Estate	1,180	2.2
Zeon	Chemicals	1,155	2.2
Nippon Commercial	Real Estate	1,079	2.0
Familymart	Retail Trade	1,060	2.0
Aeon	Retail Trade	963	1.8
Benesse	Services	862	1.6
Chubu Electrical Power	Electrical Power & Gas Utilities	790	1.5
Nitto Denko	Chemicals	714	1.3
Nippon Building	Real Estate	568	1.1
Showa Denko	Chemicals	558	1.0
Ines	Information & Communication	517	1.0
Canon	Electrical Appliances	495	0.9
Nomura Real Estate Office Fund	Real Estate	459	0.9
Tohuku Electrical Power	Electrical Power & Gas Utilities	383	0.7
Kansai Electrical Power	Electrical Power & Gas Utilities	370	0.7
Tokyo Ohka Kogyo	Chemicals	283	0.5
CMK	Electrical Appliances	269	0.5
Hitachi Systems and Services	Electrical Appliances	145	0.3
Total Investments		53,650	100.0

CLASSIFICATION OF INVESTMENTS

AT 31 JULY

	2007 AT VALUATION £'000	2007 % OF PORTFOLIO	2006 AT VALUATION £'000	2006 % OF PORTFOLIO
Land Transportation	6,698	12.5	5,600	10.0
Transport Equipment	6,091	11.3	5,092	9.1
Pharmaceuticals	5,196	9.6	6,526	11.6
Chemicals	4,947	9.2	4,903	8.7
Retail Trade	4,905	9.2	4,148	7.4
Information & Communication	4,844	9.1	3,687	6.6
Real Estate	4,626	8.7	3,493	6.2
Pulp & Paper	4,353	8.1	2,868	5.1
Electrical Appliances	4,318	8.0	7,749	13.8
Electric Power & Gas Utilities	3,731	7.0	7,231	12.9
Rubber Products	1,580	2.9	2,346	4.2
Metal Products	1,499	2.8	1,481	2.6
Services	862	1.6	—	—
Wholesale Trade	—	—	1,028	1.8
Total Market Value	53,650	100.0	56,152	100.0

TOP TEN INVESTMENTS

AT 31 JULY 2007

	2007 AT VALUATION £'000	2007 % OF PORTFOLIO	2006 AT VALUATION £'000	2006 % OF PORTFOLIO
East Japan Railway	3,584	6.7	2,228	4.0
Nissan Motor	3,167	5.9	3,020	5.6
West Japan Railway	3,114	5.8	3,372	6.3
Honda Motor	2,924	5.4	2,072	3.7
Lawson	2,882	5.4	2,804	5.2
Takeda Pharmaceuticals	2,685	4.9	3,128	5.8
Astellas Pharmaceuticals	2,511	4.7	3,398	6.3
Kao	2,237	4.2	2,748	5.1
Oji Paper	2,226	4.1	1,245	2.2
Nippon Telegraph & Telephone	2,205	4.1	2,173	3.9

DIRECTORS

Christopher Mitchinson
Aged 60, he joined the Board on 2 June 1993 and became Chairman on 30 November 2004. He has been involved in the Japanese equity market since 1972. He was head of the Japanese Department at Salomon Brothers and prior to that at WI Carr (Overseas). Most recently he was a co-founder of Mitchinson Napier Bedford and Company Limited, which provides institutional investment advice relating to Japan. He is also a Director of Vector Developments Ltd and Dash Ventures Limited.

Nicholas Bedford
Aged 58, he joined the Board on 24 January 2003. He was Managing Director of Salomon Brothers Japanese Equity Department in the late 1980s and subsequently co-founded Mitchinson Napier Bedford, an Investment Consultancy specialising in Japan.

Michael Howell
Aged 51, he joined the Board on 5 January 2005. He is Managing Director of CrossBorder Capital, an investment advisory firm he founded in 1996. Formerly Research Director at US Investment bank Salomon Brothers and Head of Research at Baring Securities, he has worked in finance for over 20 years.

Hugh Priestley
Aged 65, he joined the Board on 10 June 1993. He is a former Investment Director of Rathbones Limited and a former Deputy Chairman of the Association of Investment Trust Companies. He is also a Director of two other investment trusts, F&C Capital and Income Investment Trust plc and Jupiter European Opportunities Trust plc.

ADVISERS AND PRINCIPAL SERVICE PROVIDERS

Manager, Secretary and Registered Office

INVESCO Asset Management Limited
30 Finsbury Square
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☎ 020 7065 4000
Company Secretarial contacts:
Kerstin Rucht and Chris Cordrey

Registered in England and Wales
Number 2823977

Invesco Perpetual Investor Services

Invesco Perpetual has an Investor Services Team available to assist you from 8.30 am to 6.00 pm every working day. Please feel free to take advantage of their expertise. Call free on ☎ 0800 085 8677.

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA

If you hold your shares direct and not through a savings scheme, ISA or PEP and have queries relating to your shareholding, you should contact the Registrars ☎ 0870 1623 100.

Shareholders holding shares directly can also access their holding details via Capita's websites www.capitaregistrars.com or www.capitashareportal.com

Capita Registrars provide an on-line and telephone share dealing service to existing shareholders who are not seeking advice on buying or selling. Their website is www.capitadeal.com
☎ 0870 458 4577

Auditors

Deloitte & Touche LLP
London

Stockbrokers

Cenkos Securities Plc
6-8 Tokenhouse Yard
London EC2R 7AS

Custodian

Citibank N.A.
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

The shares of Perpetual Japanese Investment Trust plc are quoted on the London Stock Exchange. Purchases and sales can be arranged in a number of different ways. Some examples are:

Stockbroker; Bank; Share Shop; On-line dealing; and on-line and telephone dealing at Capita Registrars.

Net Asset Value ("NAV") Publication

The net asset value of the Company's Ordinary Shares ("NAV") is calculated by the Manager on a daily basis and is notified to the Stock Exchange on the next business day. It is also published daily in the newspapers listed below under Share Price Listings.

Share Price Listings

The price of your shares can be found in the Financial Times, The Daily Telegraph and The Independent.

In addition, share price information can be found in the following places:

Reuters	
ordinary shares	PJI.L
Bloomberg	
ordinary shares	PJI_LN

Internet addresses

Trust net	www.trustnet.com
Interactive Investor	www.iii.co.uk
INVESCO	www.invescoperpetual.co.uk/ investmenttrusts
The Association of Investment Companies	www.theaic.co.uk

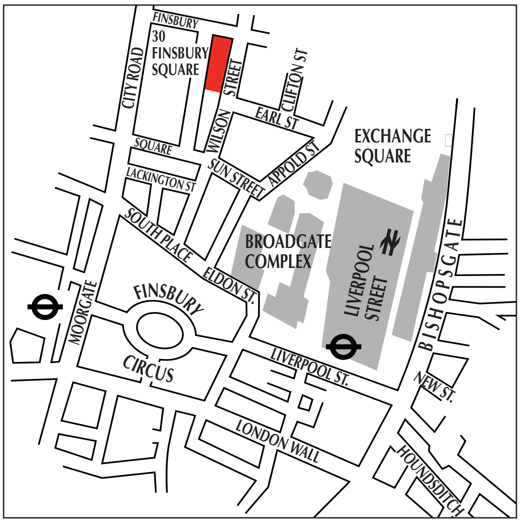
Financial Calendar

In addition, the Company publishes information according to the following calendar:

Announcements	
Interim unaudited results	March
Preliminary final results	September/October
Interim Management Statements	May/November
Annual General Meeting	November
Year End	31 July

Location of Annual General Meeting

To be held at 2.30 p.m. on 15 November 2007 at 30 Finsbury Square, London EC2A 1AG.



REPORT OF THE DIRECTORS (INCORPORATING THE BUSINESS REVIEW)

FOR THE YEAR ENDED 31 JULY 2007

Introduction and Content

The Directors present their report together with the audited financial statements of the Company for the year ended 31 July 2007.

The Report of the Directors incorporates the Business Review and expands on the following main areas:

Nature of the Company

The Company was incorporated and registered in England and Wales on 28 May 1993 as a public limited company under the Companies Act 1985, registered number 2823977. The Company is an investment company as defined by section 266 of the Act and operates as an investment trust in accordance with section 842 of the Income and Corporation Taxes Act 1988. HM Revenue & Customs have approved the Company's status as an investment trust, subject to there being no subsequent enquiry under Corporation Tax Self Assessment, in respect of the year ended 31 July 2006. Since then the Company has conducted its affairs so as to enable it to continue to obtain such approval.

Objective and Investment Policy

The Company's objective is to achieve long-term capital growth by investing in a diversified portfolio of quoted Japanese securities.

Pursuant to changes in UK Listing Rules, listed investment companies are now subject to additional requirements in respect of their published investment policies. To comply with the new standards, the Directors are proposing a restated investment policy to be formally adopted, subject to shareholder approval, at the Annual General Meeting. It is not expected, or intended, that this will give rise to significant changes in the way the Company's assets are managed.

The proposed statement is as follows:

Objective

Perpetual Japanese Investment Trust plc's objective is to achieve long-term capital growth by investing in a diversified portfolio of quoted Japanese equities.

Investment Policy and Risk

The portfolio is invested by the Manager so as to maximise exposure to the most attractive sectors and stocks within the Japanese stockmarket. The Manager does not set out to manage the risk characteristics of the portfolio relative to the benchmark index and the investment process will result in potentially very significant over or underweight positions in individual sectors versus the benchmark.

The Manager effectively controls stock-specific and sector risk by ensuring that the portfolio is always appropriately diversified. In-depth, continual analysis of the fundamentals of investee companies allows the portfolio manager to assess the financial risks associated with any particular stock. The portfolio is typically made up of 30-70 stocks. It is unusual for the Company's holding in any one stock to be more than 5 percentage points greater than that stock's index weighting. If a stock is not considered to be a good investment, then the Company will not own it, irrespective of its weight in the index.

Investment Limits

The Board has prescribed limits on investment policy as follows:

- no single equity investment may exceed 10% of gross assets;
- the Company will not invest more than 15% of its assets in other listed investment companies;
- the Company may invest no more than 20% of its assets in warrants;
- gearing may be used to raise equity exposure up to a maximum of 115% of net assets where it is considered appropriate;
- the portfolio will normally be fully invested; and
- currency exposure is not hedged.

Life of the Company

The Company was launched in May 1993 with an initial life of 10 years and at the Annual General Meeting ("AGM") in 2003, Shareholders passed an ordinary resolution for the Company to continue for another five years.

In accordance with the Company's Articles of Association, the Directors will propose an ordinary resolution to Shareholders every five years, following the AGM in 2003, to the effect that the Company shall continue in being as an investment trust for a period of five years thereafter. In the case that the ordinary resolution is not passed, the Directors shall within four months of the relevant AGM, convene an Extraordinary General Meeting ("EGM") at which a reconstruction resolution will be proposed offering Shareholders either a continuation of their investment in a closed-ended company or a cash alternative. In the case of this reconstruction resolution not being passed, a Special Resolution requiring the Company to be wound up on a voluntary basis will be proposed. The next AGM at which the Board will propose the continuation of the Company will be at the AGM in 2008.

The financial statements have been drawn up on a going concern basis.

Share Capital

At the year end, the Company's share capital consisted of 92,165,333 (2005: 92,165,333) ordinary shares of 10p each. During the year, no share buy backs or share issues were undertaken.

Revenue

The results for the year are shown in the Income Statement on page 30.

Share Valuations

On 31 July 2007 the mid-market price and the net asset value per 10p ordinary share were 50.75p and 56.2p respectively. The comparative figures on 31 July 2006 were 57.25p and 60.6p.

Key Performance Indicators

The Board reviews performance by reference to a number of Key Performance Indicators which include the following:

- Asset Performance
- Peer Group Performance
- Discount
- Total Expense Ratio

Asset Performance

In reviewing the performance of the assets in the Company's portfolio the Board reviews the net asset value in relation to the benchmark indices, the FTSE World Japan Index (in Sterling) and the Tokyo TOPIX Index (in Sterling). Performance is also compared with that of other investment trust companies investing in this sector of the market.

The net asset value of the Company fell by 7.3% during the course of the year, compared with falls of 3.6% and 4.2% in the FTSE World Japan Index (in Sterling) and the Tokyo Topix Index (in Sterling) respectively.

Peer Group Performance
There are currently some 300 investment trust companies in the UK, of which there are six in the Japanese sector and six in the Japanese smaller companies sector. The Board monitors the performance of the Company in relation to both the sectors as a whole and to those companies within the Japanese sector which most closely match its objectives and capital structure.

Discount
The Board monitors the price of the shares in relation to their net asset value and the discount at which the Company's shares trade. During the year, the shares traded at a discount to net asset value in the range of 1.3% to 11.9%. At the year end, the discount stood at 9.7%.

To enable the Board to take action to deal with any significant overhang or shortage of shares in the market, it seeks approval from shareholders every year for the buy back of shares (for cancellation or to be held as treasury shares) and also their issuance. This may assist in the management of the discount, but the primary reason for buying back or issuing shares is to enhance Shareholder value.

Total Expense Ratio ("TER")
The expenses of managing the Company are carefully monitored by the Board at every meeting. Management fee and other expenses for the year totalled £634,000 (2006: £726,000), including those charged to capital. It is the intention of the Board to seek to minimise the TER which provides a guide to the effect on performance of all annual operating costs.

At the year end, the TER was 1.2% (2006: 1.4%) which is a decrease from the previous year.

Current and Future Developments

Portfolio performance is substantially dependent on the performance of Japanese equities. These stocks are influenced by the general health of the economy in Japan and the economies in the Far Eastern region. Other influences include the direction of US interest rates and commodity prices. The fund managers strive to maximise capital growth from the stocks in which they invest, but these stocks are obviously influenced by market conditions and the Board recognises the external influences which affect portfolio performance. For a fuller discussion of the economic and market conditions facing the Company and the prospects for the future performance of the portfolio, please see the Chairman's Statement and the Manager's Report on pages 3 to 6.

The Board does not at present envisage any significant changes in the business of the Company. No important events affecting the Company have occurred since the end of its financial year.

Relationships

Through the annual and interim reports, monthly factsheets and the publication of a daily net asset value, the Board endeavours to ensure that shareholders understand the Company's investment objectives and policies and that the Board, both independently and through the Manager, reviews its objectives and policies in the light of feedback from shareholders. The Board monitors and reviews shareholder communications on a regular basis.

With effect from 1 August 2007, the Company will also be publishing Interim Management Statements for the quarters ended 31 October and 30 April, giving investors an update on the financial position of the Company and any material developments in the period.

Resources

The Company is an investment trust which outsources its management and administrative functions. As a result, it has no employees. However, through the contractual arrangements in place, a full range of services is available to it. The most significant contract is with the Manager, Invesco Asset Management Limited, to whom responsibility for the management of the portfolio is delegated. The Board reviews the performance of the Manager at every Board meeting and otherwise when market conditions dictate.

The Board has adopted guidelines within which the Manager is permitted wide discretion; any proposed variations outside these parameters are referred to the Board. The Board has the power to replace the Manager and reviews the management contract formally once a year. The outcome of this review can be found on page 18.

Other contractual arrangements govern relationships with the Company Secretary and Administrator, Broker, Registrar and Custodian. These contracts are also reviewed by the Board on a regular basis and, more formally, on an annual basis.

Advisers and Principal Service Providers

The Company's main supplier of services is the Manager who provides both investment management services and company secretarial and administrative support.

The Company has the following additional advisers and principal service providers:

- Capita Registrars as Registrars;
- Deloitte & Touche LLP as Independent Auditors;
- Citibank as Custodian; and
- Cenkos Securities plc as Brokers.

Cenkos Securities plc were appointed as the new Brokers of the Company on 22 March 2007.

Principal Risks and Uncertainties

The Company's investments are traded on the Japanese stockmarket. The principal risk for investors in the Company is, therefore, of a significant fall in the market and/or a prolonged period of decline in the market. This could be triggered by unfavourable developments within the region or events outside it. Additionally, at times performance may be geared by bank borrowings which may accentuate any decline in performance. Other significant risks include consistent underperformance by the Manager, or the market rating of the Company failing to reflect net asset value performance.

While the Board obviously cannot influence market movements, it is vigilant in monitoring and taking steps to mitigate the effects of falls in markets should they occur. As has been indicated, the performance of the Manager is carefully monitored by the Board, and the continuation of the Manager's mandate is revisited annually. The Board has established guidelines to ensure that the investment policy that it has approved is pursued by the Manager. The Board and the Manager maintain an active dialogue with the aim of ensuring that the market rating of the Company's shares reflects the underlying net asset value; and there are in place both share buy-back and issuance facilities to help the management of this process.

The Company is subject to various laws and regulations by virtue of its status as an investment trust and its listing on the London Stock Exchange. A breach of s842 of the Income and Corporation Taxes Act 1988 ("ICTA") could lead to the Company being subject to capital gains tax on the profits arising from the sale of its investments. A serious breach of other regulatory rules might lead to suspension from the Stock Exchange or to a qualified Audit Report. Other control failures, either by the Manager or any other of the Company's service providers, might result in operational or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations.

The Manager reviews the level of compliance with s842 ICTA and other financial regulatory requirements on a daily basis. All transactions, income and expenditure are reported to the Board. The Board regularly considers all risks, the measures in place to control them and the possibility of any other risks that could arise. The Board ensures that satisfactory assurances are received from service providers. The Manager's Compliance Officer produces regular reports for review by the Company's Audit Committee.

The Risks and Risk Management Policies are also detailed in note 17 to the financial statements.

Financial Position

Assets and Liabilities

At 31 July 2007, the Company's net assets were valued at £51.8 million. These comprised a portfolio of equity investments and net current liabilities.

The Company has an uncommitted short-term overdraft facility with the Custodian. The purpose of the facility is to allow for settlement of cash timing differences and for gearing up in the short term if the Manager determines that market conditions are appropriate. For details please see note 17 to the financial statements.

Due to the readily realisable nature of the Company's assets, cash flow does not have the same significance as for an industrial or commercial company. The Company's principal cash flows arise from the purchase and sales of investments and the income from investments against which must be set the costs of borrowing and management expenses.

Social and Environmental Policies

As an investment trust company with no employees, property or activities outside investment management, environmental policy has limited application.

The Manager considers various factors when evaluating potential investments. Some are financial ratios and measures, such as free cash flow, earnings per share and price-to-book value. Others are more subjective indicators which rely on first-hand research; for example quality of management, innovation and product strength.

The Company's policy is that, subject to an overriding requirement to pursue the best financial interests of the Company, the Manager should take account of social, environmental and ethical factors in making and holding investments and in the use of voting powers conferred by such investments.

Substantial Holdings in the Company

At 11 October 2007, the Company had been notified of the following holdings of 3% and over of the Company's share capital carrying unrestricted voting rights:

	Holding	%
Société Générale as principal	14,942,806	16.2
Derbyshire County Council	7,260,000	7.9
Tattersall Advisory Group	7,006,000	7.6
NFU Mutual	4,258,206	4.6
Rensburg Sheppards Investment Management	3,403,543	3.7
Philip J Milton, stockbrokers	3,048,009	3.3
Wesleyan Assurance	2,800,000	3.0

Special Business at the Annual General Meeting ("AGM")

Shareholders will find on pages 42 to 44 the notice of the forthcoming AGM of the Company to be held on 15 November 2007. In addition to the ordinary business of the meeting, four resolutions are going to be proposed as special business; three Special Resolutions and one Ordinary Resolution. These resolutions are as follows:

Share Buy Backs

Special Resolution 6 will be proposed again to seek Directors' authority to buy back shares representing up to 14.99% of the Company's issued share capital, this being 13,815,583 ordinary shares. The Directors will use this facility at their discretion in order to ease the demand/supply flow in the Company's shares. The Directors will only exercise this authority if to do so is expected to increase the net asset value per share. Shares which are purchased will either be cancelled or held in Treasury, depending on the circumstances applying at the time. The Board has not exercised its share buy-back authority during the year.

Directors' Power to Allot Shares

Special Resolution 7 will be proposed to seek renewal of the Directors' authority to allot relevant securities of up to one third of the Company's issued share capital, this being an aggregate nominal amount of £3,072,177, for cash otherwise than strictly pro-rata to existing shareholders in the case of a rights issue; and also otherwise than to existing shareholders up to 5% of the Company's issued share capital, this being an aggregate nominal amount of £460,826, whilst disapplying pre-emption rights. Shares held in Treasury will only be reissued on terms which are in the best interests of shareholders. During the year, no shares were issued in the market.

Articles of Association

Special Resolution 8 seeks to adopt revised Articles of Association for the Company. Certain provisions of the Companies Act 2006 came into force on 1 January, 20 January and 6 April 2007 respectively, as well as changes to the Financial Services Authority's rules for listed companies following implementation of the European Transparency Obligations Directive on 20 January 2007. These changes have updated and in some instances amended current companies legislation and the regulation of listed companies such as Perpetual Japanese Investment Trust plc. This Resolution provides, broadly, for the following changes to be made to the Company's Articles of Association, together with some consequential changes, so as to update them with the new legislation and regulations:

(a) The necessary amendments so as to permit the Company to communicate with shareholders electronically via its website if it chooses, unless a shareholder wishes to receive documents or other information in hard copy, in accordance with the new provisions of the Companies Act 2006 and the Disclosure and Transparency Rules of the Financial Services Authority.

If these amendments are adopted, the Company will, in future, have the option of consulting with its shareholders as to whether or not they wish to continue receiving notices or other documents or information from the Company in hard copy. As part of such consultation the Company can ask shareholders to elect either to receive future notices or other documents or information in hard copy or to elect to receive them by electronic means. A shareholder who does not respond to such consultation within 28 days would be deemed to have elected to receive future notices or other documents and information from the Company by electronic means. However, shareholders who make an election or a deemed election to receive notices or other documents or information from the Company by electronic means would still be able to notify the Company at any time they wished to receive them from the Company in hard copy. The future rights of shareholders to receive hard copies of documents or other information would thus be safeguarded.

(b) The removal of the requirement by the Company to keep a register showing, as respects each Director, interests of his shares in the Company in keeping with the repeal of the corresponding provision contained in the Companies Act 1985.

(c) Changes to a number of references to statutory provisions in the Companies Act 1985 which have now been replaced by corresponding provisions in the Companies Act 2006.

Further provisions of the Companies Act 2006 have come into force on 1 October and are due to come into force on 1 November and 15 December 2007 and on 1 October 2008, although these do not necessitate any amendments to the Company's Articles of Association at this stage. The Company's Articles of Association will, however, need further updating in light of these provisions in due course.

Investment Objective and Policy

Ordinary Resolution 9 will be proposed pursuant to changes in UK Listing Rules whereby a restated investment policy needs to be formally adopted by shareholders. The proposed new policy statement is shown in full on pages 11 and 12.

Directors

The present members of the Board, all of whom served throughout the year, are listed on page 9.

In accordance with the Board's tenure policy set out in the Corporate Governance Statement on pages 23 and 24 Messrs Mitchinson and Priestley will retire at this year's AGM and offer themselves for re-election, having served on the Board for more than 10 years.

Mr Bedford, who was re-elected at last year's AGM, will next stand for re-election in 2009. Mr Howell, who was elected a Director of the Board in 2005, will stand for re-election in 2008.

The following table sets out the number of Directors' meetings (including committee meetings) held during the year and the number of meetings attended by each Director:

	BOARD MEETINGS		AUDIT COMMITTEE MEETINGS	
	HELD	ATTENDED	HELD	ATTENDED
Christopher Mitchinson, Chairman	5	5	2	2
Nicholas Bedford	5	5	2	2
Michael Howell	5	5	2	2
Hugh Priestley	5	5	2	2

Directors' Interests

The beneficial interests of the Directors in the share capital of the Company at 31 July 2007 and at 1 August 2006 are set out below:

	31 JULY 2007 ORDINARY SHARES	1 AUGUST 2006 ORDINARY SHARES
Christopher Mitchinson	10,000	10,000
Nicholas Bedford	–	–
Michael Howell	–	–
Hugh Priestley	50,000	50,000

Save as aforesaid, no Director had any interests, beneficial or otherwise, in the shares of the Company during the year.

No changes in the above interests occurred between the Company's year end and 11 October 2007.

Disclosable Interests

No Director has a service contract with the Company. All Directors are independent of the Investment Manager.

Deeds of Indemnity

At the AGM in 2006, shareholders approved a widening of the indemnity provisions for Directors and officers of the Company. Following that approval, a Deed of Indemnity for each Director was executed on behalf of the Company on 8 November 2006.

Under the terms of the indemnities, a Director may be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the discharge of his duties or the exercise of his powers or discretions as a Director of the Company. This includes any liability incurred by the Director in disputing, defending, investigating or providing evidence in connection with any actual or threatened or alleged claims, demands, investigations or proceedings whether civil or criminal, and any settlement in respect thereof. Directors will continue to be indemnified under the terms of the indemnities notwithstanding that they may have ceased to be Directors of the Company.

However, Directors will not be entitled to be indemnified for any liability to the Company, for fines payable to regulatory authorities, for defending any criminal proceedings in which they are convicted or in defending any civil proceedings brought by the Company. In the event that judgement is given against a Director in relation to any such claim, the Director will repay to the Company any amount received from the Company under his indemnity. The indemnity does not apply to the extent that a liability is recoverable from any insurers, if it is prohibited by the Companies Act 1985 or otherwise prohibited by law, if it relates to tax payable on remuneration or other benefits received, or if a liability arises from an act or omission of the Director which is shown to have been in bad faith or arising from gross negligence.

Statement of the Manager's Responsibilities

INVESCO Asset Management Limited was appointed Manager and Secretary under an agreement dated 27 December 2001. The agreement is terminable by either party giving not less than one year's notice in writing expiring on 31 July in any year.

The Manager is generally responsible for the day-to-day investment management activities of the Company, seeking and evaluating investment opportunities and analysing the results of investee companies. The Manager has full discretion to manage the assets of the Company in accordance with the Company's stated objectives and policies as determined from time to time by the Board. The Manager has discretion to make purchases and sales, make and withdraw cash deposits, enter into underwriting commitments and exercise all rights over the investment portfolio. The Manager also advises on borrowings.

As company secretary and administrator to the Company, the Manager provides full administration and company secretarial services, ensuring that the Company complies with all legal and regulatory requirements and officiating at Board meetings and shareholders' meetings. The Manager additionally maintains complete and accurate records of the Company's investment transactions and portfolio and all monetary transactions from which the Manager prepares interim and annual financial statements on behalf of the Company and various statistical reports and information throughout the year.

The Investment Management Team

The Company is managed by INVESCO Asset Management Limited. Day-to-day management of the portfolio is the responsibility of Paul Chesson, assisted by Tony Roberts, who form part of the Japanese Equities team based in Henley-on-Thames. Paul joined Perpetual in 1993 and has been the fund manager of the Company since January 2000.

Assessment of the Managers

The whole Board regularly reviews the policies and performance of the Manager. Annually, the Board considers the ongoing investment management, secretarial and administrative requirements of the Company.

The performance of the Manager is considered across a broad spectrum of activities. Investment performance and the Company's profile in its sector are considered with reference to its investment trust peer group and appropriate benchmarks. Certain aspects of administration, compliance and secretarial services are assessed with reference to key performance indicators.

Based on its recent review of activities, and taking into account the performance of the portfolio, the other services provided by the Manager and the risk and governance environment in which the Company operates, the Board considers that the continuing appointment of INVESCO Asset Management Limited remains in the best interest of the Company and its shareholders and has approved the continuation of the management contract.

Report of the Audit Committee

The Audit Committee is responsible to the Board for reviewing each aspect of the financial reporting process: the systems of internal control and management of the financial risks; the audit process; relationships with the external auditors; the Company's processes for monitoring compliance with laws and regulations; its code of business conduct; and for making recommendations to the Board.

The Company's internal financial controls and risk management systems have been reviewed with the Manager against risk parameters approved by the Board. The Audit Committee has also received a satisfactory report on the Manager's internal operations from the Manager's Compliance and Internal Audit Officer.

The audit programme and timetable are drawn-up and agreed with the Auditors in advance of the Company's financial year end. At this stage, matters for audit focus are discussed and agreed. These matters are given particular attention during the audit process and among other matters they are reported on by the Auditors in their audit review to the Audit Committee. The audit review is considered by the Audit Committee and discussed with the Auditors and the Manager prior to approving and signing the Financial Statements.

The Audit Committee has reviewed the financial statements for the year ended 31 July 2007 with the Manager and the Auditors at the conclusion of the audit process.

Information to Auditors

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information. This confirmation is given in accordance with the provisions of section 234ZA of the Companies Act 1985.

Independent Auditors

Details of the audit fee are shown in note 4 to the financial statements. A resolution to re-appoint Deloitte & Touche LLP as the Company's Auditors and authorising the Directors to determine their remuneration will be proposed at the forthcoming AGM.

Individual Savings Account ("ISA") and Personal Equity Plan ("PEP") Eligibility

The ordinary shares of the Company are qualifying investments under applicable ISA and PEP regulations.

Creditor Payment Policy

It is the Company's policy to obtain the best terms for all business, including purchases of investments, and to abide by those agreed terms. The Company had no trade creditors at the year end (2006: nil).

By order of the Board
INVESCO Asset Management Limited
Company Secretary
30 Finsbury Square
London EC2A lAG
11 October 2007

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 JULY 2007

The Board presents this Report which has been prepared under the requirements of Schedule 7A of the Companies Act 1985. An Ordinary Resolution for the approval of this Report will be put to shareholders at the Annual General Meeting.

Your Company's auditors are required to audit certain of the disclosures provided in this Report. Where disclosures have been audited, they are indicated in this Report. The auditors' opinion is included in their Report on pages 28 and 29.

Remuneration Responsibilities

The Board is of the opinion that a remuneration committee is not appropriate for a Company of this size and nature. Remuneration responsibilities are part of the Board's responsibilities, to be addressed regularly as a whole.

All Directors are non-executive and all participate in meetings of the Board at which Directors' remuneration is considered. The Board seeks advice from the Secretary, INVESCO Asset Management Limited, when considering the level of Directors' fees.

During the year, the Directors' remuneration was not changed, but since the year end, the Board reviewed and amended its fees as follows, with effect from 1 August 2007:

Chairman: from £15,000 to £20,000

Directors: from £12,000 to £15,000

Policy on Directors' Remuneration

The Board's policy is that the remuneration of non-executive Directors should be fair and reasonable in relation to that of other investment trusts. It is intended that this policy will continue for the year ending 31 July 2008 and subsequent years.

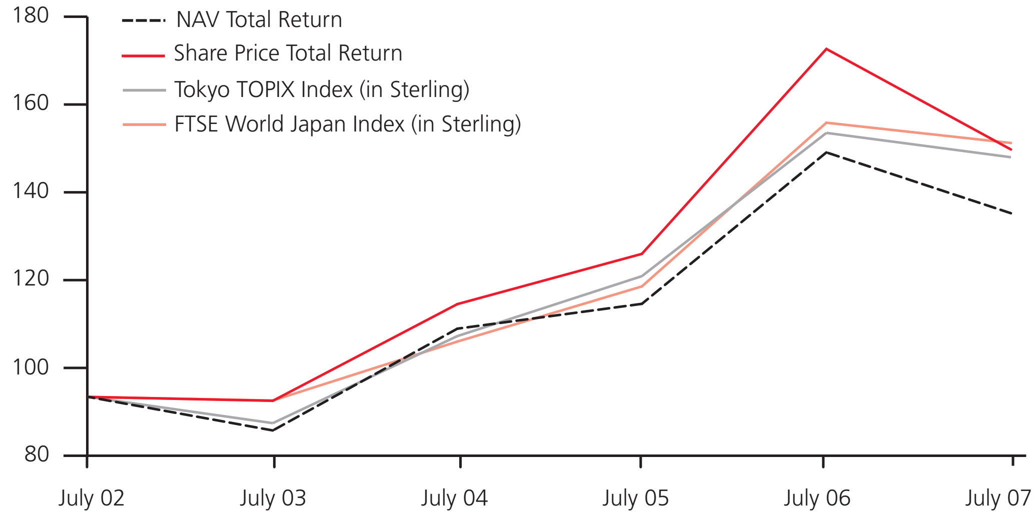
Fees for the Directors are determined by the Board within the limits stated in the Company's Articles of Association. The maximum dictated by the Company's Articles of Association is £100,000 in aggregate per annum. The Directors are not eligible for bonuses, pension benefits, share options or other incentives or benefits.

Service Contracts

None of the Directors has a service contract. The terms of the Directors' appointments provide that a Director shall retire and be subject to re-election at the first annual general meeting after appointment and at least every three years thereafter. The terms also provide that a Director may be removed from office without notice and that no compensation will be due on leaving office.

The Company's Performance

The graph on the next page plots the total return net asset value and total return share price to ordinary shareholders over the five years to 31 July 2007 compared to the total return of the FTSE World Japan and the Tokyo TOPIX Indices (in Sterling). These two indices are the benchmarks adopted by the Company for performance measurement purposes. Figures have been rebased to 100 at 31 July 2002.



Directors' Emoluments (audited)

The Directors who served during the year received the following emoluments in the form of fees:

	2007 £'000	2006 £'000
Christopher Mitchinson (Chairman of the Board)	15	15
Hugh Priestley (Chairman of the Audit Committee)	12	12
Nicholas Bedford	12	12
Michael Howell	12	12
Total	51	51

No amount was payable to a third party in respect of making available the services of a Director (2006: none).

The Company maintains a policy of indemnity insurance on behalf of Directors.

Approval

The Directors' Remuneration Report was approved by the Board of Directors on 11 October 2007.

Christopher Mitchinson
Signed on behalf of the Board of Directors

CORPORATE GOVERNANCE STATEMENT

Directors' Statement of Compliance with the revised Association of Investment Companies' Code of Corporate Governance ("the AIC Code") and the AIC's Corporate Governance Guide for Investment Companies ("the AIC Guide")

The Principles

The Board is committed to maintaining the highest standards of Corporate Governance and is accountable to shareholders for the governance of the Company's affairs.

On 3 February 2006, the Financial Reporting Council confirmed that AIC member companies who report against the AIC Code and who follow the AIC Guide would meet their obligations in relation to the 2003 Combined Code on Corporate Governance and paragraph 9.8.6 of the Listing Rules (relating to additional items to be included in the Annual Report and Accounts). This statement describes how the principles of the AIC Code and Guide have been complied with in the affairs of the Company. Any reference to the AIC Code in this statement includes references to the AIC Guide.

During the year under review, the terms of reference for the Board and the Audit Committee were reviewed and updated to bring them in line with latest best practice.

The Company's Corporate Governance procedures are considered regularly by the Board and amended as necessary.

The Directors believe that, throughout the year under review, they have complied with the provisions of the AIC Code and Guide and, therefore, the provisions in Section 1 of the Combined Code, save in respect of those matters discussed below as being in the course of implementation or except as explained under the relevant sections.

Directors

Independence

The Board comprises four Directors, all of whom are non-executive and all of whom are considered independent of the Company's Manager. The Board considers that the independence of Messrs Mitchinson and Priestley, each of whom has served on the Board for more than 10 years, is not compromised by their length of service but, to the contrary, is strengthened by their experience. These Directors will seek re-election, annually as recommended by the AIC Code, whereby Directors should submit themselves for re-election annually should their service total more than nine years.

Board Balance

The Directors have a range of business, financial and asset management skills and experience relevant to the direction and control of the Company. Brief biographical details of members of the Board are shown on page 9.

Chairman

The Chairman is Christopher Mitchinson, a non-executive Director who has no conflicting relationships. Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a Chief Executive Officer. Christopher Mitchinson has been a member of the Board for 14 years and, as recommended by the AIC Code, will seek re-election annually. He is also subject to an annual performance appraisal prior to each re-election. Following this year's performance appraisal, the Board has confirmed that the Chairman's performance continues to be effective and therefore recommend his re-election.

Senior Independent Director/Deputy Chairman

The Directors are equally responsible under the law for the proper conduct of the Company's affairs.

The Board does not therefore consider it necessary to identify a Deputy Chairman or Senior Independent Director as recommended by the AIC Code. All the Directors are available to shareholders if they have concerns which contact through the normal channels of Chairman or Manager have failed to resolve, or for which such contact is inappropriate.

Supply of Information

The Manager ensures that Directors have timely access to all relevant management, financial and regulatory information to enable informed decisions to be made.

On being appointed to the Board, Directors are fully briefed as to their responsibilities and are regularly provided throughout their terms in office with all necessary information on industry and regulatory matters. The Managers and the Board have formulated a programme of induction training for newly appointed Directors. They have also put arrangements in place to address ongoing training requirements of Directors, including briefings from key members of the Manager's staff which ensure that Directors can keep up to date with new legislation and changing risks.

The Board meets on a regular basis at least five times each year and additional meetings are arranged as necessary. Regular contact is maintained between the Manager, the Chairman and the other Directors between formal meetings.

Board meetings follow a formal agenda, which includes a review of the investment portfolio with a report from the Manager on the current investment position and outlook, strategic direction, performance against stock market indices and the Company's peer group, asset allocation, gearing policy, cash management, revenue forecasts for the financial year, marketing and shareholder relations, corporate governance, regulatory changes and industry and other issues.

Board Responsibilities

The Directors are equally responsible for promoting the success of the Company by directing and supervising its affairs within a framework of effective controls which enable risk to be assessed and managed. In addition, the Directors are responsible for ensuring that their policies and operations are in the best interests of all of the Company's shareholders and that the interests of creditors and suppliers to the Company are properly considered.

A formal schedule of matters reserved for decision by the Board and detailing the responsibilities of the Board has been established. This schedule was updated in June 2006, to ensure compliance with the AIC code, and since then no changes have been necessary. The main responsibilities include: setting the Company's objectives, policies and standards; ensuring that the Company's obligations to shareholders and others are understood and complied with; approving accounting policies and dividend policy; managing the capital structure; setting long-term objectives and strategy; reviewing investment performance; assessing and controlling risk; approving loans and borrowing; approving recommendations made by the Company's respective committees; and ongoing assessment of the Investment Manager.

The Schedule of Matters reserved for the Board will be available at the AGM and via the Invesco Perpetual investment trust website: *www.invescoperpetual.co.uk/investmenttrusts*. It can also be inspected at the Registered Office of the Company.

The Board as a whole undertakes the responsibilities which would otherwise be assumed by committees for management engagement, nomination and remuneration.

The Board also seeks to ensure that shareholders are provided with sufficient information in order to understand the risk/reward balance to which they are exposed by holding their shares, through the portfolio details given in the annual and half-yearly reports, factsheets and daily net asset-value disclosures. Going forward, the Company will also publish Interim Management Statements for the quarters ending 31 October and 30 April.

The Manager's Responsibilities

The Manager is responsible for the day-to-day investment management decisions of the Company and for the provision of Company Secretarial and Accounting Services. A statement of the Manager's responsibilities is shown on pages 17 and 18 in the Report of the Directors.

The Board has reviewed and accepted the Manager's "whistle blowing" policy under which staff of INVESCO Asset Management can, in confidence, raise concerns about possible improprieties or irregularities in matters affecting the Company.

Management Engagement

The Board as a whole reviews annually the investment management agreement with the Company's Manager and reviews the services provided by the Manager.

A statement of INVESCO Asset Management Limited's responsibilities as Manager and Administrator of the Company and the assessment of the Investment Manager by the Directors can be found in the Report of the Directors on pages 17 and 18.

Appointment, Re-election, Tenure and the Nomination Committee

The Board as a whole acts as the Nomination Committee and periodically reviews the Board's size and structure, any changes considered necessary and new appointments. The Company does not use recruitment consultants as it is considered small for the purposes of the Code.

No Director has a contract of employment with the Company. Directors' terms and conditions of appointment are set out in letters of appointment, are available for inspection at the Registered Office of the Company and will be available at the AGM.

The Articles of Association require that a Director shall retire and be subject to re-election at the first AGM after appointment and at least every three years thereafter, in accordance with the Combined Code. No Director serves a term of more than three years before re-election. A Director's normal tenure of office will be for three terms of three years, except that the Board may determine otherwise if it is considered that the continued participation on the Board of an individual Director is in the best interests of the Company and its shareholders, in which case a long-serving Director will stand for annual re-election at the Company's AGM.

Directors who have reached the age of 70 are not required to retire. The Articles of Association provide that the Directors may, by notice in writing, remove any Director from the Board without notice or compensation.

Board, Audit Committee and Directors' Performance Appraisal

The Directors recognise the importance of the AIC Code's recommendations in respect of evaluating the performance of the Board as a whole, the Audit Committee and of individual Directors.

Performance of the Board, Committees and Directors has been assessed during the year in terms of:

- attendance at Board and Committee meetings, for which there has been a very good record throughout the year;
- the independence of Directors;
- the ability of Directors to make effective contributions to the Board and Committees through the range and diversity of skills and experience each Director brings to their role; and
- the Board's ability to challenge the Manager's recommendations, suggest areas of debate and fix timetables for debates on the future strategy of the Company.

The Board again opted to conduct performance evaluation through in-depth discussion between the Directors and the Chairman, and used the findings and feedback from their previous evaluation as the basis for a review and update of performance during the year. It was concluded that the performance evaluation process has been successful, with the Directors scoring satisfactorily in all areas. The Directors are confident in their ability to continue to make effective contributions and to demonstrate commitment to their roles.

Directors' Remuneration

The Board as a whole reviews Directors' remuneration periodically. Details of the Company's policy on Directors' remuneration and of payments to Directors are given in the Directors' Remuneration Report on pages 20 and 21.

Company Secretary

The Board has direct access to the advice and services of the Company Secretary, INVESCO Asset Management Limited. The Secretary is responsible for ensuring that the Board and Committee procedures are followed and that all applicable regulations are observed. The Secretary is also responsible for ensuring the timely delivery of information and reports and that the statutory obligations of the Company are met.

There is an agreed procedure for Directors, in the furtherance of their duties, to take legal advice at the Company's expense up to an initial cost of £5,000, having first consulted the Chairman.

Accountability and Audit

The Directors' responsibilities for the Company's accounting records and financial statements are set out on page 27. The Independent Auditors' Report appears on pages 28 and 29.

Audit Committee

The Audit Committee comprises the whole Board. The Chairman of the Audit Committee is Mr Hugh Priestley. Committee members consider that, collectively, they are appropriately experienced to fulfil the role required. The Committee has written terms of reference, which clearly define its responsibilities and duties. These terms were reviewed and updated during the year to ensure compliance with the AIC Code. The terms of reference of the Audit Committee, which set out its role and authority, will be available for inspection at the AGM and can be inspected at the Registered Office of the Company.

The Audit Committee is responsible to the Board for reviewing each aspect of the financial reporting process, systems of internal control and the management of financial risks, the audit process, relationships with external auditors, the Company's processes for monitoring compliance with laws and regulations, its code of business conduct and for making recommendations to the Board.

The Audit Committee is responsible for the appointment, reappointment and removal of auditors as laid out in the terms of reference of the audit committee.

The Committee meets at least twice annually, to review the internal financial and non-financial controls, to approve the contents of the draft interim and annual reports to shareholders and to review the accounting policies. In addition, the Committee reviews the Auditors' independence, objectivity and effectiveness, the quality of the services of the service providers to the Company and, together with the Manager, reviews the Company's compliance with financial reporting and regulatory requirements as well as risk-management processes. At each meeting, representatives of the Manager's Internal Audit and Compliance Department are present. Representatives of Deloitte & Touche LLP, the Company's Auditors, attend the Committee meeting at which the draft annual report and financial statements are reviewed and are given the opportunity to speak to Committee members without the presence of representatives of the Manager.

The audit programme and timetable is drawn up and agreed with the Company's auditors in advance of the financial year end. At this stage, matters for audit focus are discussed and agreed. These matters are given particular attention during the audit process and, among other matters, are reported on by the auditors in their report to the Committee. This report is considered by the Committee and discussed with the auditors and Manager prior to approval and signing of the Financial Statements.

The Company's internal financial controls and risk management systems have been reviewed with the Manager against risk parameters approved by the Board. The Audit Committee has also received a satisfactory report on the Manager's internal operations from the Manager's Compliance and Internal Audit Officer.

The Chairman of the Audit Committee will be present at the AGM to deal with questions relating to the Annual Report and Accounts.

Internal Financial and Non-Financial Controls

The Directors acknowledge that they are responsible for the Company's systems of internal financial and non-financial controls, which have been in place throughout the year and up to the date of this report. The effectiveness of the Company's operations has been reviewed, and the control systems codified to enable the ongoing, regular monitoring and management of risks and to facilitate regular review by the Audit Committee.

As stated above, the Board meets regularly, at least five times a year, and reviews financial reports and performance against revenue forecasts, stock market indices and the Company's peer group. In addition, the Manager and Custodian maintain their own systems of internal controls and the Board and Audit Committee receive regular reports from the Internal Audit and Compliance Departments of the Manager. Formal reports are also produced on the internal controls and procedures in place for custodial, investment management and accounting activities, and are reviewed annually by the Board. The programme of reviews is set up by the Manager and the reports are not necessarily directed to the affairs of any one client of the Manager.

The control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage, rather than eliminate, risk of failure to achieve business objectives. The Directors consider that these procedures enable the Company to comply with the Financial Reporting Council's Internal Control: Revised Guidance for Directors on the Combined Code.

Internal Audit Function

The Directors have reviewed the need for the Company to establish an internal audit function, but in view of the extent of the Manager's executive responsibilities, consider that such a function is not necessary.

Auditors' Non-audit Services

The Company's current auditors do not provide any non-audit services to the Company. Normally it is the Company's policy not to seek substantial non-audit services from its auditors. The scope for any non-audit services is reviewed by the Audit Committee and approved prior to the auditors' engagement.

Relations with Shareholders

Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the interim and annual report and accounts, which aim to provide shareholders with a full understanding of the Company's activities and their results. This information is supplemented by the daily calculation and publication at the Stock Exchange of the net asset value of the Company's ordinary shares and by a monthly fact sheet. At each AGM, a presentation is made by the Manager following the business of the Meeting and shareholders have the opportunity to communicate directly with the whole Board. All shareholders are encouraged to attend the AGM.

There is a regular dialogue between the Manager and institutional shareholders to discuss aspects of investment performance, governance and strategy and to listen to shareholder views in order to help develop a balanced understanding of their issues and concerns. General presentations to both institutional shareholders and analysts follow the publication of the annual results. All meetings between the Manager and institutional and other shareholders are reported to the Board.

It is the intention of the Board that the Annual Report and Accounts and Notice of the AGM be issued to shareholders so as to provide at least twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so, either on the reverse of the proxy card or otherwise in writing to the Company Secretary at the address given on page 9. At other times, the Company responds to letters from shareholders on a range of issues.

Shareholders can also visit the Manager's investment trust website: *www.invescoperpetual.co.uk/investmenttrusts* in order to access copies of annual and half-yearly reports and accounts, shareholder circulars, Company factsheets and Stock Exchange announcements. Shareholders can also access various Company reviews and information such as an overview of Japanese equities and the Company's share price. Finally, Shareholders are able to access copies of the schedule of matters reserved for the Board, terms of reference for Board committees, and, following any shareholders' general meeting, proxy voting results.

Institutional Voting

The Board considers that the Company has a responsibility as a shareholder towards ensuring that high standards of Corporate Governance are maintained in the companies in which it invests. To achieve this, the Board does not seek to intervene in daily management decisions, but aims to support high standards of governance and, where necessary, will take the initiative to ensure those standards are met. The principal means of putting shareholder responsibility into practice is through the exercise of voting rights. Your Company's voting rights are exercised on an informed and independent basis and are not simply passed back to the company concerned for discretionary voting by its chairman.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to apply the going concern basis in preparing the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the results for the year to that date and to comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for the system of internal control, for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for ensuring that the Report of the Directors and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

The financial statements are published on *www.invescoperpetual.co.uk/investmenttrusts* which is a website maintained by the Company's Manager. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT
to the Members of Perpetual Japanese Investment Trust plc

We have audited the financial statements of Perpetual Japanese Investment Trust plc for the year ended 31 July 2007 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes the Business Review.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Directors (incorporating the Business Review), the unaudited part of the Directors' Remuneration Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 July 2007 and of its return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
11 October 2007

INCOME STATEMENT
FOR THE YEAR ENDED 31 JULY

	NOTES	2007 REVENUE £'000	2007 CAPITAL £'000	2007 TOTAL £'000	2006 REVENUE £'000	2006 CAPITAL £'000	2006 TOTAL £'000
(Loss)/gain on investments at fair value through profit or loss	8	—	(4,274)	(4,274)	—	10,858	10,858
Exchange losses		—	(3)	(3)	—	(13)	(13)
Income	2	923	—	923	738	—	738
Investment management fee	3	(443)	—	(443)	(460)	—	(460)
Other expenses	4	(187)	(4)	(191)	(258)	(8)	(266)
Net return before finance costs and taxation		293	(4,281)	(3,988)	20	10,837	10,857
Interest payable and similar charges	5	(36)	—	(36)	(65)	—	(65)
Return on ordinary activities before taxation		257	(4,281)	(4,024)	(45)	10,837	10,792
Tax on return on ordinary activities	6	(66)	—	(66)	(51)	—	(51)
Return on ordinary activities after tax for the financial year		191	(4,281)	(4,090)	(96)	10,837	10,741
Return per ordinary share:							
Basic	7	0.2p	(4.6)p	(4.4)p	(0.1)p	11.8p	11.7p

The total column of this statement represents the Company's profit and loss account, prepared in accordance with UK Accounting Standards. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statements derive from continuing operations and the Company has no other gains or losses and therefore no statement of recognised gains and losses is presented. No operations were acquired or discontinued in the period.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 JULY 2007

	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	CAPITAL REDEMPTION RESERVE £'000	SPECIAL RESERVE £'000	CAPITAL RESERVE – REALISED £'000	CAPITAL RESERVE – UNREALISED £'000	REVENUE RESERVE £'000	TOTAL £'000
At 1 August 2005	9,217	5,927	28,025	16,915	(14,495)	923	(1,396)	45,116
Return from the Income Statement for the year	—	—	—	—	11,905	(1,068)	(96)	10,741
At 31 July 2006	9,217	5,927	28,025	16,915	(2,590)	(145)	(1,492)	55,857
Return from the Income Statement for the year	—	—	—	—	555	(4,836)	191	(4,090)
At 31 July 2007	9,217	5,927	28,025	16,915	(2,035)	(4,981)	(1,301)	51,767

The accompanying notes are an integral part of this statement

BALANCE SHEET
AS AT 31 JULY

	NOTES	2007 £'000	2006 £'000
Non-current assets			
Investments held at fair value through profit or loss	8	53,650	56,152
Current assets			
Debtors	9	79	460
Cash at bank		—	914
		79	1,374
Creditors: amounts falling due within one year	10	(1,962)	(1,669)
Net current liabilities		(1,883)	(295)
Total assets less current liabilities		51,767	55,857
Capital and reserves			
Share capital	11	9,217	9,217
Share premium account	12	5,927	5,927
Other reserves			
Capital redemption reserve	12	28,025	28,025
Special reserve	12	16,915	16,915
Capital reserve – realised	12	(2,035)	(2,590)
Capital reserve – unrealised	12	(4,981)	(145)
Revenue reserve	12	(1,301)	(1,492)
Total Shareholders' funds		51,767	55,857
Net asset value per ordinary share:			
Basic	13	56.2p	60.6p

These financial statements were approved and authorised for issue by the Board of Directors on 11 October 2007.

Christopher Mitchinson
Signed on behalf of the Board of Directors

The accompanying notes are an integral part of this statement

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY

		2007 £'000	2006 £'000
Net Cash inflow/(outflow) from operating activities	14(a)	248	(117)
Servicing of finance	14(b)	(26)	(65)
Capital expenditure and financial investment	14(b)	(1,417)	(1,682)
Net cash outflow before management of liquid resources and financing		(1,195)	(1,864)
Decrease in cash in the year		(1,195)	(1,864)
Reconciliation of net cash flow to movement in net debt			
Decrease in cash in the year		(1,195)	(1,864)
Exchange difference		(5)	(13)
Movement in net debt in the year		(1,200)	(1,877)
Net (debt)/funds at beginning of the year		(588)	1,289
Net debt at end of the year	14(c)	(1,788)	(588)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention except for the measurement at fair value of investments and in accordance with applicable United Kingdom Accounting Standards and with the Statement of Recommended Practice ("SORP") "Financial Statements of Investment Trust Companies", issued by the Association of Investment Companies.

(b) Investments

Investments are accounted for on the date they are traded and classified as held at fair value through profit or loss. 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, dividends or interest, listed equities and fixed income securities are designated as held at fair value through profit or loss on initial recognition.

Financial assets, designated as held at fair value through profit or loss, are measured at subsequent reporting dates at fair value, which is the bid price. Foreign securities' values are translated at the exchange rates ruling at the close of business on the balance sheet date. Gains and losses on revaluation are taken to the Income Statement.

The Company's policy is to capitalise transaction costs on acquisition and the profit or loss on disposal is calculated net of transaction costs. Details of transaction costs are disclosed in note 8(d).

(c) Income

All dividends are taken into account on the date investments are marked ex-dividend. Where the Company elects to receive dividends in the form of additional shares rather than cash, the equivalent to the cash dividend is recognised as income in the revenue account and any excess in value of the shares received over the amount of the cash dividend is recognised in capital reserve – realised. Other income from investments is taken into account on an accruals basis. Deposit interest receivable is taken into account on an accruals basis.

(d) Expenses and finance costs

All expenses and finance costs are accounted for on an accruals basis and are charged through revenue as shown in the Income Statement except for the following which are charged through capital in the Income Statement:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment; and
- custodian's transaction expenses.

(e) Taxation

The liability to corporation tax is based on net revenue for the year. The tax effect of different items of expenditure is allocated between capital and revenue on the same basis as for the particular item to which it relates, using the marginal method. This basis is in accordance with the SORP.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or the right to pay less, tax in the future have occurred at the balance sheet 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 underlying timing differences can be deducted. Timing differences are differences between the Company's taxable profits or losses and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

continued

1. Accounting policies (continued)

(f) Foreign currency

In accordance with FRS 23 "The Effects of Changes in Foreign Currency Exchange Rates", the Directors are required to nominate a functional currency in which the Company predominantly operates. The Directors have decided that sterling is the most appropriate functional currency, which is also the currency in which these accounts are presented.

Transactions in foreign currency, whether of a revenue or capital nature, are translated into sterling at the rates of exchange ruling on the dates of such transactions. Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Any gains or losses on foreign currency held, whether realised or unrealised, are taken to the capital or the revenue reserve, depending on whether the gain or loss is of a capital or revenue nature.

(g) Financial instruments

Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. The Company offsets financial assets and financial liabilities if it has a legally enforceable right to set-off the recognised amounts and intends to settle on a net basis. Financial assets are derecognised when the contractual right to the cashflow ceases. Financial liabilities are derecognised when the Company settles the obligations.

(h) Forward contracts

Forward contracts entered into for investment hedging purposes are valued at the appropriate forward currency rate ruling at the balance sheet date. Profits or losses on the closure or revaluation of positions are included in capital reserves. These contracts are designated fair value hedges through profit or loss.

(i) Capital reserves

Capital reserve – realised.

The following are accounted for in this reserve:

– gains and losses on the realisation of investments;

– realised exchange differences of a capital nature;

– expenses charged to this reserve in accordance with the above policies;

– custodian's transaction charges; and

– exchange differences on closed forward currency contracts.

Capital reserve – unrealised.

The following are accounted for in this reserve:

– increases and decreases in the valuation of investments held at the year end; and

– exchange differences on open forward currency contracts hedging investments.

2. Income

	2007 £'000	2006 £'000
Income from listed investments		
Overseas dividends	912	728
Other income		
Deposit interest	11	10
Total income	923	738

3. Investment management fee

	2007 £'000	2006 £'000
Investment management fee	443	460
	443	460

INVESCO Asset Management Limited provide investment and administrative services to the Company under an agreement dated 27 December 2001. The agreement is terminable by either party giving not less than one year's notice in writing expiring on 31 July in any year. Under the agreement, the Manager receives a management fee of 0.8% per annum of the Company's funds under management as defined in the agreement. At 31 July 2007, £115,000 (2006: £112,000) was owed in respect of investment management fees.

The Manager also receives a performance-related fee, payable annually in arrears, if the Company's performance exceeds the FTSE World Japan Index by a margin of 2% or more. The performance-related fee shall be equal to 5% of the value of outperformance, but may not exceed 1% of the value of the Company's funds under management at the relevant performance fee calculation date (which is the Company's Balance Sheet date). Any such performance-related fee is based on the outperformance over the benchmark after taking into account any previous underperformance. No performance fee is payable for the year (2006: £none).

4. Other expenses

	2007			2006		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
General expenses	120	4	124	192	8	200
Directors' emoluments (see below)	51	—	51	51	—	51
Auditors' remuneration – for audit services	16	—	16	15	—	15
	187	4	191	258	8	266

Included in general expenses are £4,000 of custodian's transaction charges, wholly allocated to capital (2006: £8,000).

The maximum Directors' fees authorised by the Articles of Association are £100,000 in aggregate per annum (2006: £100,000).

5. Interest payable and similar charges

	2007 £'000	2006 £'000
Overdraft interest	36	65
	36	65

6. Tax on ordinary activities

Analysis of charge for the year

	2007 £'000	2006 £'000
Overseas tax	66	51
	66	51

The overseas tax charge consists of irrecoverable withholding tax. There is no UK corporation tax charge as the taxable income is covered by deducting management expenses.

(b) Factors affecting tax charge for the year

	2007 £'000	2006 £'000
Revenue return on ordinary activities before taxation	257	(45)
Reconciliation of current tax charge		
Tax at UK corporation tax rate of 20% (2006: 20%)	51	(9)
Effects of:		
– bought forward excess management expenses used in the year	(51)	—
– movement in expenses net of taxable income	—	9
– irrecoverable overseas tax	66	51
	66	51

(c) Factors that may affect future tax charges

The Company has cumulative excess management expenses of £1,135,000 (2006: £1,405,000) and cumulative excess non-trading loan relationship debits of £186,000 (2006: £166,000) that are available to offset against future taxable revenue. A deferred tax asset has not been recognised in respect of these amounts since they are recoverable only to the extent that the Company has sufficient future taxable revenue.

7. Return per ordinary share

Basic revenue, capital and total return per ordinary share is based on each of the returns on ordinary activities after taxation and on 92,165,333 (2006: 92,165,333) ordinary shares, being the number of ordinary shares in issue during the year.

8. Investments

(a) Analysis of investments by listing status

	2007 £'000	2006 £'000
Investments listed on a recognised stock exchange	53,650	56,152

(b) Analysis of investment gains/(losses)

	2007 £'000	2006 £'000
Opening book cost	56,297	43,035
Opening unrealised (depreciation)/appreciation	(145)	923
Opening valuation	56,152	43,958
Movements in the year:		
Purchases at cost	38,394	88,952
Sales – proceeds	(36,622)	(87,616)
– realised gains on sales	564	11,926
Movement in unrealised depreciation during the year	(4,838)	(1,068)
Closing valuation	53,650	56,152
Closing book cost	58,633	56,297
Closing unrealised depreciation	(4,983)	(145)
Closing valuation	53,650	56,152
Realised gains based on historical cost	564	11,926
Amounts recognised as unrealised in the previous year	(726)	(1,119)
Realised (losses)/gains based on carrying value at previous balance sheet date	(162)	10,807
Movement in unrealised depreciation in the year	(4,838)	(1,068)
Amounts recognised as unrealised in the previous year	726	1,119
Net movement in unrealised (depreciation)/appreciation	(4,112)	51
(Losses)/gains on Investments	(4,274)	10,858

(c) Registration of investments

The investments of the Company are registered in the name of the Company or in the name of nominees and held to the order of Perpetual Japanese Investment Trust plc.

(d) Transaction costs

Transaction costs included in gains and losses on investments amount to £44,000 (2006: £112,000) on purchases and £41,000 (2006: £113,000) on sales.

9. Debtors

	2007 £'000	2006 £'000
Amounts due from brokers	—	355
VAT recoverable	22	26
Prepayments and accrued income	57	79
	79	460

10. Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Unrealised loss on forward currency transactions	—	2
Bank overdraft	1,788	1,502
Accrual and deferred income	174	165
	1,962	1,669

11. Share capital

	2007 £'000	2006 £'000
Authorised:		
519,747,884 ordinary shares of 10p each (2006: 519,747,884)	51,975	51,975
Allotted, called-up and fully paid:		
92,165,333 (2006: 92,165,333) ordinary shares of 10p each	9,217	9,217

Continuation Provisions

The Articles of Association provide that the Directors will propose an ordinary resolution at the AGM in 2008 to the effect that the company shall continue as an investment trust for another five years thereafter. If the ordinary resolution is not passed then the Directors will be required to convene an Extraordinary General Meeting ("EGM") where by resolutions to either restructure or wind-up the Company will be proposed.

12. Share Capital and Reserves

	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	CAPITAL REDEMPTION RESERVE £'000	SPECIAL RESERVE £'000	CAPITAL RESERVE – REALISED £'000	CAPITAL RESERVE – UNREALISED £'000	REVENUE RESERVE £'000	TOTAL £'000
At 1 August 2006	9,217	5,927	28,025	16,915	(2,590)	(145)	(1,492)	55,857
Exchange differences	—	—	—	—	(5)	2	—	(3)
Realised losses on investments	—	—	—	—	(162)	—	—	(162)
Transfer on disposal of investments	—	—	—	—	726	(726)	—	—
Movement in unrealised depreciation	—-	—	—	—	—	(4,112)	—	(4,112)
Expense costs charged to capital	—-	—	—	—	(4)	—	—	(4)
Revenue return for the year	—	—	—	—	—	—	191	191
At 31 July 2007	9,217	5,927	28,025	16,915	(2,035)	(4,981)	(1,301)	51,767

13. Net asset value

The net asset per ordinary share and the net assets attributable at the year end were as follows:

	NET ASSET VALUE PER SHARE		NET ASSETS ATTRIBUTABLE	
	2007 pence	2006 pence	2007 £'000	2006 £'000
Ordinary shares				
– Basic	56.2	60.6	51,767	55,857

The basic net asset value per ordinary share is based on net assets at the year end and on 92,165,333 (2006: 92,165,333) ordinary shares, being the number of ordinary shares in issue at the year end.

14. Notes to the cash flow statement

(a) Reconciliation of total return to net cash inflow/(outflow) from operating activities

	2007 £'000	2006 £'000
Total return before finance costs and taxation	(3,988)	10,857
Adjustment for losses/(gains) on investments	4,274	(10,858)
Adjustment for exchange losses	3	13
Decrease/(increase) in debtors	26	(45)
Decrease in creditors	(1)	(33)
Overseas tax on unfranked investment income	(66)	(51)
Net cash inflow/(outflow) from operating activities	248	(117)

(b) Analysis of cash flows for headings netted in the cash flow statement

	2007 £'000	2006 £'000
Servicing of finance		
Interest paid	(26)	(65)
Net cash outflow from servicing of finance	(26)	(65)

	2007 £'000	2006 £'000
Capital expenditure and financial investment		
Purchase of investments	(38,394)	(89,391)
Sale of investments	36,977	87,709
Net cash outflow from capital expenditure and financial investment	(1,417)	(1,682)

(c) Analysis of net debt

	1 AUGUST 2006 £'000	CASH FLOW £'000	EXCHANGE MOVEMENT £'000	31 JULY 2007 £'000
Cash at bank	914	(914)	—	—
Bank overdraft	(1,502)	(281)	(5)	(1,788)
Net debt	(588)	(1,195)	(5)	(1,788)

15. Contingent liabilities

As at 31 July 2007 there were no contingent liabilities (2006: nil).

16. Related-party transactions

INVESCO Asset Management Limited ('IAML'), a wholly-owned subsidiary of INVESCO plc, acts as Manager and Secretary to the Company. Details of IAML's services and fees are given in note 3 to the financial statements. Full details of Directors' interests are set out in the Report of the Directors on page 17. There were no other balances outstanding within related parties at the year end (2006: nil).

17. Risk management

As an investment trust, the Company invests in securities for the long term. The holding of securities, investing activities and associated financing undertaken pursuant to the investment policy involves certain inherent risks. Events may occur that would result in a reduction in the Company's net assets.

Set out below are the principal risks inherent in the Company's activities and the actions taken to manage these risks.

The main risk arising from the Company's financial instruments, which includes investments, is market price risk incorporating foreign exchange risk and interest rate risk. It should be noted that the prices of warrants, options and geared equity related derivative instruments tend to be more volatile than the prices of the underlying securities. The Board reviews and agrees policies for managing these risks and these are summarised below. These policies have remained substantially unchanged for the two years ended 31 July 2007.

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements and movements in exchange rates. The risk is monitored by the Board on a quarterly basis and on a daily basis by the Manager.

Foreign exchange risk arises as the Company is based in the UK and the financial statements are stated in sterling; however, its investments are principally in Japan. As a result, the Company's sterling Income Statement and Balance Sheet can be significantly affected by movements in the Yen exchange rate. Exchange rate movements also impact on the Company's cash balances and debtors and creditors to the extent they are denominated in non-sterling currencies.

The Company's foreign exchange risk is monitored by the Board on a regular basis and more frequently where circumstances dictate. Clear guidelines are set by the Board as to the extent of any hedging allowed by the Manager. This is usually by reference to a percentage of net asset value at the time the hedge is executed. Hedging is undertaken within these guidelines by means of forward foreign exchange contracts. At the year end the Company had no open forward currency contracts (2006: unrealised loss on open contracts of £2,000).

Credit risk encompasses the failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered. This risk is minimised by only using approved counterparties.

Interest rate risk is limited by the Company's financial structure with operations mainly financed through shareholders' funds. In addition at the balance sheet date the Company had available borrowing facilities of an uncommitted bank overdraft facility of 30% of the net value of the Company (2006: 30%). At the year end, an amount of £1,788,000 (2006: £1,502,000) were drawn down.

Liquidity risk and cash flow risk are minimised as the majority of the Company's assets comprise readily realisable securities which can be sold to meet funding commitments as necessary.

Financial assets and liabilities

The Company's assets and liabilities, comprise cash/overdraft, investments principally comprising equity shares and other short-term debtors and creditors. Investments may from time to time include warrants or options to subscribe for shares or geared or ungeared equity-related derivative instruments. These are held in accordance with the Company's investment policy. Investments are valued as disclosed in note 1(b). See page 7 for details of all investments held at the year end. Interest received and paid on cash balances and overdraft is variable and is dependent on the base rate of the custodian, Citibank.

The Company's financial assets and liabilities are primarily denominated in Sterling and Japanese Yen. These are disclosed as follows:

	2007 INTEREST RATE RISK			2006 INTEREST RATE RISK		
	CASH FLOW £'000	NOT DIRECTLY EXPOSED £'000	TOTAL £'000	CASH FLOW £'000	NOT DIRECTLY EXPOSED £'000	TOTAL £'000
Sterling:						
Cash	—	—	—	914	—	914
Forward currency contracts	—	—	—	—	709	709
Other short-term creditors	—	(95)	(95)	—	(60)	(60)
Net Sterling	—	(95)	(95)	914	649	1,563
Japanese Yen:						
Investments	—	53,650	53,650	—	56,152	56,152
Overdraft	(1,788)	—	(1,788)	(1,502)	—	(1,502)
Forward currency contracts	—	—	—	—	(711)	(711)
Net amounts due from brokers	—	—	—	—	355	355
Net Japanese Yen	(1,788)	53,650	51,862	(1,502)	55,796	54,294
Total (liabilities)/assets	(1,788)	53,555	51,767	(588)	56,445	55,857

There were no fixed rate financial assets or liabilities at the year end (2006: nil). The fair value of financial assets and liabilities is represented by their carrying value in the balance sheet.

NOTICE IS GIVEN that the Annual General Meeting of Perpetual Japanese Investment Trust plc will be held at 30 Finsbury Square, London EC2A 1AG, on Thursday, 15 November 2007 at 2.30 p.m. for the following purposes:

Ordinary Business

1. To receive the Directors' Report and Financial Statements for the year ended 31 July 2007.
2. To approve the Directors' Remuneration Report for the year ended 31 July 2007.
3. To re-elect Mr Christopher Mitchinson a Director of the Company.
4. To re-elect Mr Hugh Priestley a Director of the Company.
5. To re-appoint Deloitte & Touche LLP as Auditors and authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions which will be proposed as Special Resolutions:

6. That the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 of the Act) of its issued Shares of 10p each in the capital of the Company ("Shares")

   PROVIDED ALWAYS THAT

   (i) the maximum number of shares hereby authorised to be purchased shall be 13,815,583 or 14.99% of the issued ordinary shares;

   (ii) the minimum price which may be paid for a Share shall be 10p;

   (iii) the maximum price which may be paid for a Share shall be an amount equal to 105% of the average of the middle market quotations for a Share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is purchased;

   (iv) any purchase of Shares will be made in the market for cash at prices below the prevailing net asset value per Share (as determined by the Directors);

   (v) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2008; and

   (vi) the Company may make a contract to purchase 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 Shares pursuant to any such contract.

7. That:

   (a) the Directors be generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 ("the Act") to exercise for the period ending on the date of the next Annual General Meeting all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £3,072,177 or one third of the Company's issued ordinary share capital;

   (b) during the period of the authority referred to in paragraph (a) above the Directors be empowered pursuant to section 95 of the Act, to sell relevant shares in the Company wholly for cash (as defined in section 162D(2) of the Act) if, immediately before the sale, such shares are held by the Company as treasury shares (as defined by section 162A(3) of the Act, and, pursuant to the said authority referred to in paragraph (a) above, to allot equity securities wholly for cash:

      (i) in connection with a rights issue; and

      (ii) otherwise than in connection with a rights issue, up to an aggregate nominal amount of £460,826

      as if Section 89(1) of the Act, relating to pre-emption rights, did not apply to any such allotments or sales;

   (c) by such authority and power the Directors may during such period make offers or agreements which would or might require the making of allotments or sales after the expiry of such period;

   (d) for the purposes of this resolution, words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meaning in this resolution;

(e) for the purposes of this resolution:

(i) "rights issue" means an offer of equity securities open for acceptance for a period fixed by the Directors to holders on the register on a fixed record date of ordinary shares in proportion to their respective holdings but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, treasury shares or legal or practical problems under the laws of, or the requirement of any recognised regulatory body of any stock exchange in any territory; and

(ii) the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or acquire or convert any securities convertible into shares of the Company, the nominal amount of such shares which may be allotted or sold pursuant to such rights.

8. That:

the amendments to the Articles of Association of the Company in the form produced to the Meeting and, for the purpose of identification, initialled by the Chairman and as described in the Report of the Directors be approved.

To consider the following resolution which will be proposed as an Ordinary Resolution:

9. That the following Objective, Investment Policy and Risk and Investment Limits be approved:

Objective
Perpetual Japanese Investment Trust plc's objective is to achieve long-term capital growth by investing in a diversified portfolio of quoted Japanese equities.

Investment policy and risk
The portfolio is invested by the Manager so as to maximise exposure to the most attractive sectors and stocks within the Japanese stockmarket. The Manager does not set out to manage the risk characteristics of the portfolio relative to the benchmark index and the investment process will result in potentially very significant over or underweight positions in individual sectors versus the benchmark.

The Manager effectively controls stock-specific and sector risk by ensuring that the portfolio is always appropriately diversified. In-depth, continual analysis of the fundamentals of investee companies allows the portfolio manager to assess the financial risks associated with any particular stock. The portfolio is typically made up of 30-70 stocks. It is unusual for the Company's holding in any one stock to be more than 5 percentage points greater than that stock's index weighting. If a stock is not considered to be a good investment, then the Company will not own it, irrespective of its weight in the index.

Investment limits
The Board has prescribed limits on investment policy as follows:

- no single equity investment may exceed 10% of gross assets;
- the Company will not invest more than 15% of its assets in other listed investment companies;
- the Company may invest no more than 20% of its assets in warrants;
- gearing may be used to raise equity exposure up to a maximum of 115% of net assets where it is considered appropriate;
- the portfolio will normally be fully invested; and
- currency exposure is not hedged.

For an explanation of all Resolutions presented under Special Business please refer to the Chairman's Statement on pages 3 and 4 and to the Report of the Directors on pages 11, 12, 15 and 16.

Dated this 11 October 2007

By order of the Board
INVESCO Asset Management Limited
Company Secretary

The Manager will be giving a presentation following the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING
continued

Notes:

1. A member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. In order to be valid an appointment of proxy must be returned by one of the following methods:
   - In hard copy form by post, by courier or by hand to the Company's registrars, Capita Registrars, Proxies Department, P.O. Box 25, Beckenham, Kent BR3 4BR; or
   - In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below

   and in each case to be received by the Company not less than 48 hours before the time of the meeting.
2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising 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 made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to 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 issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this document. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. 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. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that CRESTCo 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.
3. A form of appointment of proxy is enclosed. Appointment of a proxy does not prevent a member from attending and voting at this meeting.
   To be effective, the form of appointment of proxy, duly completed and executed, together with any power of attorney or other authority under which it is signed (or a notarially certified copy thereof) must be lodged at the office of the Company's registrars, Capita Registrars, Proxies Department, P.O. Box 25, Beckenham, Kent BR3 4BR by not later than 2.30 p.m. on 13 November 2007.
4. A person entered on the Register of Members at close of business on 13 November 2007 ('a member') is entitled to attend and vote at the Meeting pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any person to attend and/or vote at the Meeting. If the Meeting is adjourned, entitlement to attend and vote at the adjourned meeting, and the number of votes which may be cast thereat, will be determined by reference to the Company's register of members 48 hours before the time fixed for the adjourned meeting.
5. There are no service contracts between the Directors and the Company.
6. The Register of Directors' Interests, the Terms of Reference of the Audit Committee and the Letters of Appointment for Directors will be available for inspection at the Company's AGM.
7. A copy of the current Articles of Association and a draft of the proposed amended Articles are available for inspection at the Registered Office of the Company during normal business hours on any business day (excluding public holidays) until the close of the Annual General Meeting and will also be available at the Annual General Meeting for at least 15 minutes prior and during the Meeting.

GLOSSARY OF TERMS

Discount
A description of the situation when the share price is lower than the NAV per share. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage (%) of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium and the percentage is commonly shown prefixed with a minus sign.

Gearing
The term applied to the effect of borrowings and prior charge share capital on assets that will increase the return on investment when the value of the Company's investments is rising but reduce the return when values are declining. A gearing level of 100 or 0% indicates there is no gearing.

Asset Gearing
Asset gearing reflects the amount of loans actively invested in assets and not held in cash. It is calculated by dividing fixed asset investments by Shareholders' funds.

Actual Gearing
Actual gearing reflects the amount of loans already arranged and in use by the Company. This is the gearing figure published by the Association of Investment Companies. It is calculated by dividing the aggregate of Shareholders' funds and all drawndown loans by Shareholders' funds.

Gross Assets
The gross worth of the Company's assets. It is arrived at by totalling the value of the Company's listed investments at bid prices, unlisted investments at director's valuation and cash and other net current assets.

Net Asset Value ("NAV")
The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities for which the Company is responsible eg. money owed to other people. The NAV is also described as "Shareholders' funds". The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. The share price is determined by the relationship between the demand and supply for the shares.

Total Expense Ratio
The total expenses excluding interest incurred by the Company, including those charged to capital, as a percentage of average net assets (shareholders' funds).

Invesco Perpetual

The Manager of Perpetual Japanese Investment Trust plc is INVESCO Asset Management Limited.

INVESCO PLC* is one of the world's largest independent global investment management firms, with funds under management in excess of £245 billion.**

We aim to provide the highest returns available from markets, through active management, but in a controlled manner, conscious of the risks involved and within our clients' objectives.

*INVESCO PLC (formerly AMVESCAP PLC) is a company listed in the UK and the US whose subsidiaries include INVESCO Asset Management Limited which is authorised and regulated by the Financial Services Authority.

**Funds under management as at 30 June 2007.

SPECIALIST FUNDS MANAGED BY INVESCO PERPETUAL

Investing for Income, Income Growth and Capital Growth (from equities, fixed interest securities or property)

Perpetual Income and Growth Investment Trust plc

Aims to generate capital growth with a higher than average income from investment, primarily, in the UK equity market. It is intended that the Company will provide shareholders with real dividend growth over the medium-term by investing mainly in above-average yielding equities. However, investments are also made in companies with lower initial yields which are considered to have good potential for income growth. The Trust is geared by a debenture stock and bank debt.

Keystone Investment Trust plc

Aims to provide shareholders with long-term growth of capital mainly from UK investments. The Trust is geared by way of debenture stocks.

INVESCO Income Growth Trust plc

Aims to provide shareholders with a long-term growth in capital and real, long-term growth in dividends from an above-average yielding portfolio comprising mainly UK equities and equity-related securities. Seeks to achieve a total return in excess of the FTSE All-Share Index. The Trust is geared by bank debt.

Invesco Perpetual Select Trust plc – UK Equity Share Portfolio

Aims to generate long-term capital and income growth with real growth in dividends from investment, primarily, in the UK equity market. The portfolio is geared by bank debt.

Invesco Perpetual Select Trust plc – Managed Liquidity Share Portfolio

Aims to generate a high level of income from a variety of fixed income instruments combined with a high degree of security.

INVESCO Property Income Trust Limited

The Company is a closed-ended investment company with limited liability incorporated in Jersey. The objective is to provide ordinary shareholders with an attractive level of income together with the prospect of income and capital growth from investing in commercial properties in the UK and Continental Europe. The Trust is geared by bank debt.

City Merchants High Yield Trust plc

Aims to generate a high level of income from a variety of fixed income instruments combined with a high degree of security. The Trust is geared by bank debt.

INVESCO Leveraged High Yield Fund Limited

A Jersey-incorporated closed-ended Company that aims to provide a high level of income, paid gross to UK investors, whilst seeking to maximise total return through investing, primarily, in a diversified portfolio of high yielding corporate and government bonds. The Company seeks to balance the attraction of high yield securities with the need for protection of capital and to manage volatility. The Trust is highly geared.

Invesco Perpetual Recovery Trust 2011 plc

A split-capital investment trust with ordinary income shares, zero dividend preference shares and units (a combination of the two). Aims to meet the capital entitlements of the zero dividend preference shares and to maximise the capital and income returns of the ordinary income shares by investing primarily in equities but also debt securities which are considered to offer recovery prospects. Returns to ordinary income shareholders are geared by the prior charge of the zero shares. The Trust has an initial life projected to end in 2011.

Investing in Smaller Companies

INVESCO English and International Trust plc

Invests mainly in UK-quoted and unquoted smaller companies, AIM stocks and in US smaller companies. It pursues a relatively risk-averse stock selection strategy holding a well-diversified portfolio and seeks to invest in companies offering particular value. The Trust has adopted a flexible gearing policy and a quarterly redemption/creation mechanism.

Invesco Perpetual UK Smaller Companies Investment Trust plc

Aims to achieve long-term total returns for the Company's shareholders from investment in a broad cross-section of small to medium-size UK-quoted companies. The Trust may gear by bank debt.

Investing Internationally

INVESCO Asia Trust plc

Aims to provide long-term capital growth by investing in a diversified portfolio of Asian and Australasian securities. The Company aims to achieve growth in its net asset value in excess of the Morgan Stanley Capital International (All Country) Far East Free (ex Japan) Index, measured in sterling. The Trust is geared by bank debt.

Perpetual Japanese Investment Trust plc

Aims to achieve long-term capital growth by investing in a diversified portfolio of quoted Japanese securities. The Trust is geared by bank debt.

Invesco Perpetual Select Trust plc – Global Equity Share Portfolio

Aims to produce long-term capital growth from a sensibly diversified portfolio of international equities (including the UK). The portfolio comprises the "best ideas" of a number of INVESCO Perpetual's investment managers. The portfolio is geared by bank debt.

Investing for Absolute Returns

Invesco Perpetual European Absolute Return Trust plc

Aims to achieve absolute total returns through investment principally in equity, fixed interest and cash securities within continental Europe (ex. UK). Seeks to achieve returns in excess of Sterling LIBOR.

Invesco Perpetual Select Trust plc – Hedge Fund Share Portfolio

Aims to achieve absolute return of 3-month Sterling LIBOR plus 6% per annum over a rolling 5-year period, coupled with low volatility. Capital preservation is a priority.

Investing in Multiple Asset Classes

Invesco Perpetual Select Trust plc

- UK Equity Share Portfolio
- Global Equity Share Portfolio
- Managed Liquidity Share Portfolio
- Hedge Fund Share Portfolio

A choice of asset classes within one investment trust with the freedom to switch between them, twice a year, free from capital gains tax liability.

Other

Invesco Perpetual AiM VCT plc

The Company was launched in August 2004. Its objective is to provide a tax-free dividend return to shareholders invested at launch primarily through the realisation of capital gains from a portfolio of investments in AIM Qualifying Companies while maintaining the capital value of shares.

Please contact our Investor Services Team on 0800 085 8677 if you would like more information about the investment trusts or other specialist funds listed above. Further details are also available on the following website: www.invescoperpetual.co.uk/investmenttrusts

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