Chairman's Statement

2001 was not a good year for your Company. The investment manager's Investment Review on the following page describes what happened in the Japanese markets during 2001 and explains the investment manager's reaction to events. I will not add to the Investment Review.

Your directors have considered the investment performance of the Company and the reasons for the loss of 82% of shareholders funds since March 2000 following spectacular performance in 1999 when the Company's net assets rose over 700%. They have also considered what further action may be taken to reduce the discount from net asset value at which the shares trade.

Since inception of the Company in 1990, the managers have been mandated to manage the Company's assets on a long only basis and may invest only in shares traded on the Japanese Over the Counter ("OTC") market and, more recently the "Mothers" market and NASDAQ Japan. Of these only the OTC market generates material turnover. The intention when the Company was issued in 1990 was to provide shareholders with a means of participating in the Japanese new issues market whilst taking advantage of Jardine Fleming's exceptional knowledge of small Japanese companies. During the last few years the OTC market has become too restrictive as the basis for the investment mandate and your directors, who strongly believe that there is money to be made through investment in smaller, newer Japanese companies, recommend that the investment mandate should be expanded to exclude only those companies comprising the 200 largest in terms of capitalisation. At the same time, experience has shown that an ability to sell shares short on the basis of company analysis (or to use proxies for short selling) could have been used to the advantage of shareholders. At present the only resource available to the managers to protect assets in times of falling markets is to raise liquidity. Your directors will discuss with the present managers and with alternative managers the details of a mandate which would be appropriate to their skills within these broad parameters. It is expected that a Circular will be sent to shareholders convening an Extraordinary General Meeting, describing the new mandate and giving shareholders the opportunity to vote on the proposed changes. It is intended that this Circular will be sent not later than the end of June.

Your board has examined the issues of poor liquidity, of the discount at which the shares trade, of additional or alternative listings and mechanisms by which shareholders would be able to realize shares closer to net asset value. Your directors continue to examine practical and equable solutions to these issues and will advise shareholders of their proposals in the intended Circular.

Shareholders' continued support is much appreciated and your directors continue in their endeavours to justify it.

Nicholas Sibley
Chairman
27 March 2002