

Schroder

Japan Growth Fund plc

Report and Accounts to 31 July 2008



Schroders

Investment Objective

The Company's principal investment objective is to achieve capital growth from an actively managed portfolio principally comprising securities listed on the Japanese stock markets, with the aim of achieving growth in excess of the TSE First Section Total Return Index over the longer term.

Directors

Jonathan Taylor (Chairman)*†

Aged 64, was appointed as a Director of the Company on 29 July 1999 and as Chairman on 20 April 2004. He is Chairman and Managing Director of Dragon Partners Limited. He is a Director of Greater China Fund Inc. and member of the international advisory board, Datawind Inc. He was previously a Director of Baring Asset Management Limited (1976–1997). He is a Barrister at law.

Jan Kingzett†

Aged 52, was appointed as a Director of the Company on 3 October 2001. He is an employee of Schroders. He is also a non-executive Director of Schroder AsiaPacific Fund plc and Thos. Agnew & Sons (Holdings) Limited.

Peter Lyon*†

Aged 67, was appointed as a Director of the Company on 31 May 1994. In March 2008 he retired from Clay Finlay Inc., a US based institutional fund management group where he was a director from 1998 until his retirement.

John Scott*†

Aged 56, was appointed as a Director of the Company on 20 April 2004. He is a non-executive director of Scottish Mortgage Investment Trust PLC, Martin Currie Pacific Trust plc and JPMorgan Claverhouse Investment Trust plc, as well as being Chairman of Dunedin Income Growth Investment Trust PLC. His other directorships include Xaar plc, Endace Ltd. and Miller Insurance Services Ltd. He previously worked in the Far East for Jardine Matheson & Co., Ltd. (1974–1980), and in London for Lazard Brothers & Co., Limited (1981–2001), during which time he spent three years in Tokyo with responsibility for Lazard Brothers' investment banking activities in Japan.

Yoshindo Takahashi*†

Aged 68, was appointed as a Director of the Company on 19 December 2005. He is currently Director of the Office of Pharmaceutical Industry Research, a research arm of Japan Pharmaceutical Manufacturers Association. He is also a member of the Management Committee of Executive Partners Inc, a consulting firm for small and emerging companies and a statutory auditor (Independent) of Netprice Corp, an internet shopping company based in Japan. He was previously Executive Director and Dean of Nomura School of Advanced Management (1996–2000) and Executive Vice President of Nomura Research Institute Ltd. (1994–1996). He served as President and then Chairman of Nomura Research Institute Europe Ltd. and Nomura Research America Inc. between 1980 and 1991.

* Member of the Audit and Management Engagement Committees

† Member of the Nomination Committee

Mr Lyon is Chairman of the Nomination and Management Engagement Committees

Mr Scott is Chairman of the Audit Committee

Advisers

Investment Manager

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31 Gresham Street, London EC2V 7QA

Company Secretary and Registered Office

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Telephone: 020 7658 3206

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Registrar

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Solicitors

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One Bunhill Row, London EC1Y 8YY

Stockbrokers

Landsbanki Securities (UK) Limited
Beaufort House
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Contents

| | |
|--|--------------------|
| Investment Objective | Inside Front Cover |
| Directors and Advisers | Inside Front Cover |
| Financial Highlights and Portfolio Sector Distribution | 2 |
| Ten-Year Record | 3 |
| Chairman's Statement | 4 |
| Investment Manager's Review | 6 |
| Investment Portfolio | 8 |
| Report of the Directors – Incorporating the Business Review | 10 |
| Directors' Remuneration Report | 15 |
| Statement of Directors' Responsibilities | 16 |
| Corporate Governance | 17 |
| Independent Auditors' Report | 21 |
| Income Statement | 23 |
| Reconciliation of Movements in Shareholders' Funds | 24 |
| Balance Sheet | 25 |
| Cash Flow Statement | 26 |
| Notes to the Accounts | 27 |
| Notice of Meeting | 38 |
| Explanatory Notes including Principal Changes to the Company's Articles of Association | 39 |
| Company Summary and Shareholder Information | Inside Back Cover |

Financial Highlights

| | 31 July 2008 | 31 July 2007 | % Change |
|--|-----------------|--------------|----------|
| Total assets (£'000)* | 133,547 | 156,292 | -14.6 |
| Borrowings (£'000) | (23,353) | (20,666) | +13.0 |
| Shareholders' funds (£'000) | 110,194 | 135,626 | -18.8 |
| Shares in issue ('000) | 125,008 | 125,008 | - |
| Net Asset Value | 88.15p | 108.49p | -18.7 |
| Share price | 77.50p | 99.25p | -21.9 |
| Share price discount | 12.08% | 8.52% | - |
| TSE First Section Total Return Index (in sterling terms)** | - | - | -12.2 |
| Yen rate to Sterling | 214.11 | 241.95 | -11.5 |
| Total expense ratio (TER)*** | 1.04% | 1.00% | - |
| Market capitalisation (£'000) | 96,881 | 124,071 | -21.9 |

* Calculated in accordance with AIC guidance and comprises shareholders' funds plus gearing used for investment purposes.

** Source: Thompson Financial Datastream.

*** Calculated in accordance with AIC guidance and expressed as a percentage of average monthly net assets. Expenses exclude finance costs and are net of tax relief (if tax relief is ignored the TER would be 1.47% (2007: 1.43%).

Analysis of Portfolio Sector Distribution with the TSE First Section Index as at 31 July 2008

| | Valuation £'000 | % of Portfolio | % of Index |
|---------------------------------|--------------------|-------------------|---------------|
| Transportation Equipment | 13,531 | 10.75 | 8.70 |
| Banks | 12,136 | 9.64 | 11.60 |
| Wholesale Trade | 12,043 | 9.57 | 5.20 |
| Electrical Appliances | 9,516 | 7.56 | 13.90 |
| Chemicals | 9,260 | 7.36 | 5.20 |
| Real Estate | 7,700 | 6.12 | 2.60 |
| Insurance | 6,940 | 5.51 | 2.80 |
| Pharmaceutical | 6,223 | 4.94 | 4.40 |
| Machinery | 6,011 | 4.78 | 4.40 |
| Retail Trade | 5,770 | 4.59 | 3.40 |
| Land Transportation | 5,673 | 4.51 | 3.60 |
| Information & Communication | 4,825 | 3.83 | 5.40 |
| Glass & Ceramics Products | 4,201 | 3.34 | 1.10 |
| Rubber Products | 3,957 | 3.14 | 0.50 |
| Construction | 2,952 | 2.35 | 1.80 |
| Non-Ferrous Metals | 2,898 | 2.30 | 1.10 |
| Services | 2,662 | 2.12 | 1.40 |
| Other Financing Business | 2,438 | 1.94 | 1.30 |
| Securities & Commodity | 1,877 | 1.49 | 1.60 |
| Iron & Steel | 1,606 | 1.28 | 3.50 |
| Pulp & Paper | 1,425 | 1.13 | 0.40 |
| Other Products | 1,248 | 0.99 | 2.90 |
| Precision Instruments | 958 | 0.76 | 1.40 |
| Electric Power & Gas | - | - | 4.50 |
| Foods | - | - | 3.10 |
| Textiles & Apparels | - | - | 0.90 |
| Marine Transportation | - | - | 0.90 |
| Oil & Coal Products | - | - | 0.70 |
| Metal Products | - | - | 0.60 |
| Air Transportation | - | - | 0.40 |
| Mining | - | - | 0.40 |
| Warehousing & Harbour Transport | - | - | 0.20 |
| Fishery, Agriculture & Forestry | - | - | 0.10 |
| Total | 125,850 | 100.00 | 100.00 |

Ten-Year Record to 31 July

| | Total assets* £'000 | Shareholders' Funds £'000 | Undiluted asset value pence | Price of ordinary shares pence | Share price discount % | Price of warrants pence** |
|------|------------------------|------------------------------|--------------------------------|-----------------------------------|---------------------------|------------------------------|
| 2008 | 133,547 | 110,194 | 88.15p | 77.50p | (12.08) | – |
| 2007 | 156,292 | 135,626 | 108.49p | 99.25p | (8.52) | – |
| 2006 | 172,587 | 142,164 | 113.72p | 110.50p | (2.83) | – |
| 2005 | 142,245 | 119,443 | 95.55p | 91.75p | (3.98) | – |
| 2004 | 130,995 | 111,259 | 89.00p | 79.50p | (10.67) | 1.25p |
| 2003 | 109,842 | 89,199 | 71.36p | 65.75p | (7.86) | 3.75p |
| 2002 | 114,112 | 92,731 | 74.18p | 69.25p | (6.65) | 9.50p |
| 2001 | 135,540 | 113,065 | 90.45p | 81.00p | (10.45) | 14.75p |
| 2000 | 161,703 | 137,329 | 109.86p | 89.00p | (17.76) | 19.25p |
| 1999 | 144,949 | 123,434 | 98.75p | 92.25p | (6.58) | 28.50p |

* Calculated in accordance with AIC guidance and comprises shareholders' funds plus gearing used for investment purposes.

** The final date for the exercise of warrants was 30 November 2004.

| | Cost of running trust* £'000 | Actual gearing ratio** | Potential gearing ratio*** |
|------|---------------------------------|------------------------|----------------------------|
| 2008 | 1,816 | 1.14 | 1.21 |
| 2007 | 1,955 | 1.13 | 1.15 |
| 2006 | 2,102 | 1.17 | 1.21 |
| 2005 | 1,655 | 1.16 | 1.19 |
| 2004 | 1,627 | 1.14 | 1.18 |
| 2003 | 1,334 | 1.22 | 1.23 |
| 2002 | 1,492 | 1.18 | 1.23 |
| 2001 | 1,727 | 1.17 | 1.20 |
| 2000 | 1,844 | 1.12 | 1.18 |
| 1999 | 1,412 | 1.17 | 1.17 |

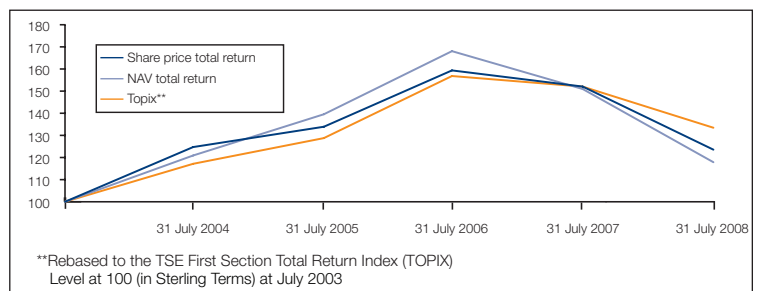
* Operating expenses, excluding share dealing and finance costs.

** Total assets less cash and fixed interest assets, divided by shareholders' funds.

*** Total assets divided by shareholders' funds.

Five-Year Share Price and NAV Performance

| | NAV % | Share Price % | Benchmark Index % |
|------|--------|---------------|-------------------|
| 2008 | 23.53 | 17.87 | 33.45 |
| 2007 | 52.06 | 50.95 | 52.03 |
| 2006 | 59.36 | 68.06 | 56.82 |
| 2005 | 33.90 | 39.54 | 28.77 |
| 2004 | 24.72 | 20.91 | 17.15 |
| 2003 | 100.00 | 100.00 | 100.00 |



* Source: Schroder Investment Management Limited.

* Rebased to 100 at 31 July 2003.

Chairman's Statement

Performance

Against a backdrop of falling stockmarkets worldwide, the year to 31 July 2008 remained disappointing for investors in Japanese equities. Measured in sterling, the TSE First Section Total Return Index produced a total return of -12.2%, a decline mitigated for sterling investors by the strength of the Yen during the year. Against this background, the Company's net asset value per share decreased by 18.7% over the same period (from 108.49p per share to 88.15p per share). Reasons for the under-performance against the benchmark Index are outlined in the Investment Manager's Review. To put the Company's performance into context the Association of Investment Companies ("AIC") Japan Sector produced an average total return of -23.1% and the AIC Japanese Smaller Companies Sector produced an average total return of -34.3% during the year to 31 July 2008.

Sentiment towards Japanese equities steadily deteriorated during the year under review and the Company's share price decreased by 21.9% as the discount widened from 8.5% to 12.08%.

Gearing

During the year the Company reduced its total borrowing facility from Yen 6.5 billion to Yen 5 billion. The amount drawn under the facility at the end of the year was Yen 5 billion (2007: Yen 5 billion). All of the borrowings were obtained via a revolving credit facility to provide flexibility.

The Directors do not envisage gearing levels to exceed 25% of shareholders' funds and the gearing continues to be operated within the limits agreed by the Board. At the beginning of the year, the effective gearing ratio (borrowings less cash and short-term deposits as a percentage of net assets) was 12.6%, and this had increased to 13.9% at 31 July 2008 as a result of the decline in net assets during the year under review.

Amendment to the Articles of Association

As a result of changes to company law (Companies Act 2006) further changes are proposed to the Company's Articles of Association to allow the Company to comply with the new requirements of the Companies Act 2006. An explanatory note detailing the proposed changes to the Articles of Association appears on pages 39 and 40 of this report.

Purchase of Shares for Cancellation

The Board will be seeking to renew the share buyback authority to purchase up to 14.99% of the Company's issued share capital for cancellation granted to the Company at the Company's Annual General Meeting in November 2007. During the year ended 31 July 2008, the Directors did not use the authority given to them and no purchases for cancellation were undertaken. However, the share buyback facility is one of a number of tools that may be used to enhance shareholder value and to reduce the discount volatility and it is therefore proposed that the authority be renewed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at 2.30 p.m. on Thursday 6 November 2008 and shareholders are invited to attend. The meeting will follow our usual format, which includes a presentation on the prospects for the Japanese economy and investment strategy.

Chairman's Statement

Outlook

These are difficult times for all equity markets, and it is unlikely that the Japanese market, even with its lower exposure to the credit problems facing the West, can abstract itself from global events. The market does have attractions over the medium term, however. Japanese companies have over a decade's experience of a low-growth economy; share valuations are already low; and for Sterling investors the Yen looks firmly based. We continue to believe that the portfolio is invested in shares offering considerable value.

Jonathan Taylor

Chairman

7 October 2008

Investment Manager's Review

Market Background

The Japanese stock market fell 22.3% in Yen terms during the year ended 31 July 2008, a period during which financial and economic conditions deteriorated globally.

The fall was more moderate in sterling at 12.2% as the pattern of the previous 3 years reversed and the Yen appreciated sharply.

Only 4 out of 33 Topix sectors produced positive returns over the period and they were in economically defensive sectors such as food and utilities. Shares in more cyclical areas and sectors sensitive to commodity price trends were extremely volatile but ended up as relatively weak performers. Japanese bank exposure to the US sub-prime mortgage crisis, which sparked off the global equity sell-off, was relatively modest but this provided little protection. Part of the reason for this was deterioration in domestic credit conditions caused by the impact of higher commodity costs on small and medium sized companies, and a liquidity crunch in parts of the residential property market. Small companies as a group performed worse than the overall market.

The Company's NAV fell 18.7% in sterling terms. Underperformance against the benchmark was in part due to the Company's gearing which was maintained in the mid teens as a percentage of the net assets during the year. The overweight position in small companies contributed negatively as did the lack of exposure to the best performing defensive sectors such as food and power utilities. By contrast holdings in insurance and railway companies contributed positively as did the cautious view taken towards several cyclical areas such as machinery and steel.

Outlook

Current market sentiment is weak and the short term profits outlook poor. Japan is facing weakening export markets at a time when domestic activity remains lacklustre. Negative short term news flow could therefore continue to exert downward pressure on returns. However, the weak environment is to some extent reflected in the poor equity market returns of the last 12 months. Japan's economy is not encumbered by imbalances which surround most other developed economies. As a result any improvement in the global growth outlook should feed through to Japan directly to the benefit of large parts of the stock market. The recent fall in commodity prices holds out some prospect of a peaking in headline inflation rates, lower interest rates and as a consequence an improved outlook for global growth.

Domestic political confusion continues to undermine confidence but the recent resignation of Prime Minister Fukuda holds out the prospect of an early general election. This is likely to be preceded by policy measures to stimulate domestic economic activity. Market valuations are depressed and corporate governance continues to improve, albeit not at a pace to satisfy most overseas investors.

Investment Policy

The portfolio has a slight cyclical bias with the overweight position in trading companies and the absence of defensive sectors such as food and utilities, where valuations are difficult to justify. The overweight position in small companies has not worked over the last 12 months but we are retaining it as valuations are attractive.

Investment Manager's Review

We have recently been adding to companies with strong technology, high market shares and high margins whose shares have been substantially derated by the stock market due to weak end demand. We expect this derating process to reverse as the market begins to discount a pickup in demand. Examples include Hoya (manufacturer of components for semiconductors and LCD panels), Union Tool (manufacturer of printed circuit board drill bits) and JSR (manufacturer of components for LCD panels). We are also retaining our exposure to Toyota. We are confident about long term prospects whilst recognising that short term cyclical pressures are intense.

Within financials we favour insurance companies where valuations are attractive and profitability should be entering a cyclical improvement. Banks also look undervalued but continue to struggle to generate revenue growth. Our position here is slightly underweight.

Gearing was 13.9% at the end of July, slightly higher than the 12.6% a year ago.

Schroder Investment Management Limited

7 October 2008

Investment Portfolio

As at 31 July 2008

| Company | Industrial Classification | Activity | Market Value of Holding £'000 | % of Shareholders' Funds |
|-----------------------------------|-----------------------------|--|----------------------------------|--------------------------|
| Toyota Motor | Transportation Equipment | Automobile manufacturer | 7,161 | 6.50 |
| Mitsui | Wholesale Trade | General trading company | 6,524 | 5.92 |
| Takeda Pharmaceutical | Pharmaceutical | Pharmaceutical products | 5,264 | 4.78 |
| Sumitomo Mitsui Financial | Banks | Banking & other financial services | 4,491 | 4.08 |
| Tachihi Enterprise | Real Estate | Real estate investment | 4,279 | 3.88 |
| Ricoh | Electrical Appliances | Copiers & printers manufacturer | 4,119 | 3.74 |
| Bridgestone | Rubber Products | Automobile tyre manufacturer | 3,957 | 3.59 |
| East Japan Railway | Land Transportation | Railway company | 3,422 | 3.11 |
| Seven & I | Retail Trade | Retail store operator | 3,310 | 3.00 |
| Mizuho Financial | Banks | Banking & other financial services | 3,194 | 2.90 |
| Asahi Glass | Glass & Ceramics Products | Glass & related products | 3,080 | 2.79 |
| T&D Holdings | Insurance | Life insurance products & services | 3,064 | 2.78 |
| Mitsubishi | Wholesale Trade | General trading company | 2,887 | 2.62 |
| Nidec | Electrical Appliances | Small & mid size motor manufacturer | 2,665 | 2.42 |
| Sompo Japan Insurance | Insurance | Non-life and life insurance | 2,638 | 2.39 |
| Nippon Telegraph & Telephone | Information & Communication | Telecommunication services | 2,583 | 2.34 |
| KDDI | Information & Communication | Telecommunication services | 2,242 | 2.03 |
| SK Kaken | Chemicals | Paint manufacturer for construction | 2,223 | 2.02 |
| Jupiter Telecommunications | Services | Cable network operator | 2,069 | 1.88 |
| Sakata Inx | Chemicals | Printing ink manufacturer | 1,881 | 1.71 |
| Twenty Largest Investments | | | 71,053 | 64.48 |
| Nomura | Securities & Commodity | Stockbroker | 1,877 | 1.70 |
| SMC | Machinery | Pneumatic equipment manufacturer | 1,831 | 1.66 |
| Nissan Motor | Transportation Equipment | Automobile manufacturer | 1,805 | 1.64 |
| Sankei Building | Real Estate | Real estate investment | 1,760 | 1.60 |
| Dowa Holdings | Non-Ferrous Metals | Non-ferrous metal processing | 1,691 | 1.53 |
| Chiba Bank | Banks | Banking service | 1,691 | 1.53 |
| Hi Lex | Transportation Equipment | Automobile cables manufacturer | 1,607 | 1.46 |
| Sanki Engineering | Construction | Installation service | 1,606 | 1.46 |
| JFE Holdings | Iron & Steel | Steel and engineering | 1,606 | 1.46 |
| Central Japan Railway | Land Transportation | Railway company | 1,590 | 1.44 |
| Fukuoka Financial Group | Banks | Banking & other financial services | 1,546 | 1.40 |
| Ushio | Electrical Appliances | Industrial & commercial light sources manufacturer | 1,524 | 1.38 |
| Union Tool | Machinery | Cutting tool manufacturer | 1,492 | 1.35 |
| Credit Saison | Other Financing Business | Credit card issuer | 1,462 | 1.33 |
| Fuji Photo Film | Chemicals | Imaging and information solutions | 1,429 | 1.30 |
| Inabata | Wholesale Trade | Trading company | 1,426 | 1.30 |
| Nippon Paper Group | Pulp & Paper | Paper manufacturer | 1,425 | 1.29 |
| Shimamura | Retail Trade | Clothing store | 1,418 | 1.29 |
| JSR | Chemicals | Synthetic rubber manufacturer | 1,359 | 1.23 |
| Okamura | Other Products | Office furniture manufacturer | 1,248 | 1.13 |
| Nissay Dowa General Insurance | Insurance | Non-life and life insurance | 1,238 | 1.12 |
| Sankyo | Machinery | Pachinko machine manufacturer | 1,227 | 1.11 |
| T & K Toka | Chemicals | Printing ink manufacturer | 1,214 | 1.10 |
| Tokyo Tomin Bank | Banks | Banking service | 1,214 | 1.10 |
| Calsonic Kansei | Transportation Equipment | Automobile parts manufacturer | 1,187 | 1.08 |
| Kaneka | Chemicals | Chemical products manufacturer | 1,154 | 1.05 |

Investment Portfolio

| Company | Industrial Classification | Activity | Market Value of Holding £'000 | % of Shareholders' Funds |
|---|---------------------------|---------------------------------------|----------------------------------|--------------------------|
| NGK Spark Plug | Glass & Ceramic Products | Spark plug manufacturer | 1,121 | 1.02 |
| AT Group | Retail Trade | Car distribution | 1,042 | 0.95 |
| JAFCO | Other Financing Business | Venture capital investment | 976 | 0.89 |
| Hoya | Precision Instruments | Optical lens manufacture | 958 | 0.87 |
| Daiwa House Industry | Construction | House builder | 957 | 0.87 |
| Musashi Seimitsu Industry | Transportation Equipment | Automobile parts manufacturer | 916 | 0.83 |
| Yamaha Motor | Transportation Equipment | Motorcycle manufacturer | 855 | 0.78 |
| Airport Facilities | Real Estate | Airport facilities rental | 849 | 0.77 |
| Mirai Industry | Machinery | Construction & building maintenance | 824 | 0.75 |
| Sumitomo | Wholesale Trade | General trading company | 686 | 0.62 |
| Sumitomo Electric Industries | Non-Ferrous Metals | Copper wire manufacturer | 678 | 0.62 |
| Nippon Konpo Unyu Soko | Land Transportation | Specialist transportation services | 661 | 0.60 |
| Sumitomo Heavy Industries | Machinery | Manufacturer of industrial machinery | 637 | 0.58 |
| Mabuchi Motor | Electrical Appliances | Micro-motors manufacturer | 631 | 0.57 |
| Chubu Nippon Broadcasting | Services | Commercial broadcaster | 593 | 0.54 |
| Rohm | Electrical Appliances | LSIs manufacturer | 577 | 0.52 |
| Astellas Pharma | Pharmaceutical | Pharmaceutical products | 548 | 0.50 |
| Prospect Residential Investment | Real Estate | Real estate investment trust | 537 | 0.49 |
| Mitsubishi Materials | Non-Ferrous Metals | Manufacture & supply of cutting tools | 529 | 0.48 |
| Toyota Tsusho | Wholesale Trade | General trading company | 520 | 0.47 |
| Haseko | Construction | House builder | 389 | 0.35 |
| Torii Pharmaceutical | Pharmaceutical | Pharmaceutical products | 304 | 0.28 |
| New City Residence Investment | Real Estate | Real estate investment trust | 275 | 0.25 |
| Kissei Pharmaceuticals | Pharmaceutical | Pharmaceutical products | 107 | 0.09 |
| Total investments | | | 125,850 | 114.21 |
| Net current liabilities | | | (15,656) | (14.21) |
| Total equity shareholders' funds | | | 110,194 | 100.00 |

At 31 July 2007 the twenty largest investments represented 63.19% of shareholders' funds.

At 31 July 2008, certain securities were on loan under a stock lending arrangement (see note 11 to the Accounts).

Report of the Directors – Incorporating the Business Review

The Directors submit their Report and the Financial Statements of the Company for the year ended 31 July 2008.

Company's Business

The Company carries on business as an investment trust and is an investment company within the meaning of section 266 of the Companies Act 1985 (as amended). In order to continue to obtain exemption from capital gains tax, the Company has conducted itself with a view to being an approved investment trust for the purposes of Section 842 of the United Kingdom Income and Corporation Taxes Act 1988 (as amended). The last accounting period for which the Company has been treated as approved by the Inland Revenue is the year ended 31 July 2007 and the Company has subsequently directed its affairs so as to enable it to continue to qualify for such approval. The Company is not a close company for taxation purposes.

Business Review

Investment Objective

The principal investment objective of the Company is to achieve capital growth from an actively managed portfolio principally comprising securities listed on the Japanese stock markets, with the aim of achieving growth in excess of the TSE First Section Total Return Index over the long term.

Investment Policy

The Manager utilises an active stock driven investment approach, drawing on Schrodgers' extensive research resources in Japan. The portfolio will principally be invested in a broad range of companies quoted on the Tokyo Stock Exchange, the regional stockmarkets of Fukuoka, Hiroshima, Kyoto, Nagoya, Niigata, Osaka and Sapporo and the Japanese over the counter (OTC) market. Investments may also be made in companies listed elsewhere but controlled from Japan or with a material exposure to the Japanese economy. There will be no constraints on size of company or sector allocation. This flexibility will allow the Manager to take advantage of changes in market sentiment and in the domestic economic cycle as it develops.

The portfolio will mainly be invested in equities but may also be invested in warrants, convertibles and other derivative instruments where appropriate. The Company may invest up to 5% of its assets in securities which are not listed on any stock exchange, but would not normally make such investment except where the Manager expects that the securities will shortly become listed on a Japanese stockmarket.

In order to maximise potential returns gearing may be employed by the Company from time to time. The Directors do not envisage gearing levels in excess of 25% of shareholders' funds. Where appropriate the Directors may authorise the hedging of the Company's currency exposure to the yen.

Spread of Investment Risk

Risk in relation to the Company's investments is spread as a result of the Manager monitoring the Company's portfolio with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objective. The Board has imposed a number of restrictions on investment by the Manager. The key restrictions imposed on the Manager include a) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company; b) no more than 10% of the value of the Company's gross assets may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other listed companies; c) no more than 15% of the Company's total net assets may be invested in open-ended funds and; d) no more than 25% of the Company's total net assets may be invested in the aggregate of unlisted investments and holdings representing 20% or more of the equity capital of any company. The Investment Portfolio on pages 8 and 9 demonstrates that, as at 31 July 2008, the Manager held 70 investments spread over several sectors. The largest investment, Toyota Motor, represented 6.5% of shareholders' funds at 31 July 2008. At the year end, the Company did not hold any unlisted investments, and did not hold open-ended funds. The Company had an interest amounting to 0.74% of shareholders' funds in REITs, closed ended investment companies. The Board therefore believes that the objective of spreading risk has been achieved in this way.

Performance

An outline of performance, market background, investment activity and portfolio strategy during the year under review, as well as outlook, is provided in the Chairman's Statement and Investment Manager's Review.

Report of the Directors – Incorporating the Business Review

Measuring Success – Key Performance Indicators

The Board has adopted key performance indicators (“KPIs”) which assist it in measuring the development and success of the Company’s business. The KPIs focus on the following areas: the measurement of the success of the Company’s investment objective, the management of the discount and the level of expenses incurred in the running of the Company.

Investment Performance

The Board considers that monitoring the relative success of the Company’s investment performance, measured against its established benchmark, is one of its most important roles. Performance against peer group companies is also reviewed.

Quarterly reports, including commentary on its view of markets, the impact of stock selection decisions and other attribution analysis, portfolio activity and strategy and outlook for the portfolio are provided by the Manager and form the basis of discussions at every board meeting. On a regular basis, the Board also reviews the investment processes of the Manager and considers reports from its broker on the perception of shareholders and the market on the Manager’s performance, and the Company’s strategy.

For the year ended 31 July 2008, the Company produced a negative total return on net asset value of 18.8% compared to a negative total return of 12.2% for the benchmark. Charts showing the Company’s five-year performance and sector distribution measured against the benchmark as at 31 July 2008 can be found on pages 2 and 3 of this Report.

Discount Management

The shares of the Company often trade at a discount to net asset value and the management of this discount is a key factor for the Board. The Board has therefore adopted a second KPI, which measures the success of the Board’s strategy to limit volatility in the discount.

As the discount is a function of the balance between the supply and demand for the Company’s shares, a principal objective for the Board is to ensure that, through Schroder’s marketing team and the Company’s stockbrokers, potential shareholders and their advisers continue to be kept informed of the Company’s progress and the ways they can invest in it. Share buy-backs are a more direct way of managing the discount. The discount of the Company’s share price to its underlying net asset value and the discounts of peer group companies are monitored. The Board considers the use of its share buy-back authority on a regular basis.

During the year under review the share price traded at a discount range from 6.4% to 16.6%.

Control of Total Expenses

The Board has adopted a third KPI which assists the Board in keeping the total expense ratio (“TER”) of the Company under review.

An analysis of the Company’s costs, including management fees, directors’ fees and general expenses, is submitted to each Board meeting. The Management Engagement Committee, comprised entirely of independent directors, considers the terms of the management agreement with the Manager, including fees, on an annual basis. Services (including costs) provided by most other providers including bankers, auditors, insurance providers and printers are also reviewed annually.

The TER for the Company for the year to 31 July 2008 (calculated in accordance with AIC guidance as total annualised net operating expenses after tax divided by average net assets during the year) was 1.04% (2007: 1.00%).

Principal Risks and Uncertainties

The Board has adopted a matrix of key risks which affect its business and a robust framework of internal control which is designed to monitor those risks to enable the Directors to mitigate them as far as possible. A full analysis of the Directors’ system of internal control and its monitoring system is set out in the Corporate Governance Statement. The principal risks are considered to be as follows:

Financial Risk

The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in Japanese equity markets would have an adverse impact on the value of the Company’s underlying investments.

Report of the Directors – Incorporating the Business Review

The Board considers the portfolio's risk profile at each Board meeting and discusses with the Manager appropriate strategies to mitigate any negative impact of substantial changes in markets. (See note 24 to the accounts).

Currency Risk

The Company invests predominantly in underlying assets which are denominated in Japanese Yen and therefore has an exposure to changes in the exchange rate between Sterling and Yen which has the potential to have a significant effect on returns. While the Directors consider the Company's hedging policy on a regular basis, the Company did not engage in currency hedging to reduce the risk of currency fluctuations and the volatility of returns which might result from such currency exposure during the year ended 31 July 2008.

Gearing

The Company utilises a credit facility, currently in the amount of Yen 5 billion, which increases the funds available for investment through borrowing ("gearing"). Therefore, in falling markets, any reduction in the net asset value and, by implication, the share price is amplified by the gearing. The Directors keep the Company's gearing under constant review and impose strict restrictions on borrowings to mitigate this risk. The Company's gearing continues to operate within pre-agreed limits so that actual gearing does not represent more than 25% of shareholders' funds.

Discount

Over time, investment vehicles and asset classes can become out of favour with investors or trusts may fail to meet their investment objectives. This may be reflected in a wide discount of the share price to underlying asset value. Directors periodically review whether the Company's investment remit remains appropriate and they continually monitor the success of the Company in meeting its stated objectives. Further details may be found under "Investment Performance" and "Discount Management" above.

Regulatory Risks

The regulatory environment in which the Company operates is increasingly complex and the Company faces a number of regulatory risks. A breach of section 842 of the Income and Corporation Taxes Act 1988 could result in the Company being subject to capital gains tax on the sale of portfolio investments. Breaches of other regulations such as the UK Listing Authority's Listing Rules could lead to a number of detrimental outcomes and damage the Company's reputation. Breaches of controls by service providers such as the Manager could also lead to reputational damage or loss.

Resources

The Company has no employees; its investments are managed by Schroders, which also acts as Company Secretary and provides accounting and administration services to the Company. The principal terms of the Investment Management Agreement are set out on page 14.

Environmental Policy

As an investment trust, the Company has no direct social or environmental responsibilities; its policy is focussed on ensuring that its portfolio is properly managed and invested. The Company has however adopted an environmental policy, details of which are set out in the Corporate Governance Statement.

Revenue and Earnings

The net revenue return before finance costs and taxation for the year was £875,000 (2007: £125,000). As the Company has accumulated net revenue losses, no final dividend will be paid.

Policy for the Payment of Creditors

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. There were no outstanding trade creditors, other than purchases for future settlement, at 31 July 2008 (2007: nil).

Purchase of Own Shares

The total number of shares in issue on 7 October 2008 was 125,008,200. At the General Meeting held on 7 November 2007, an authority for the Directors to purchase up to 14.99% of the issued share capital of the Company was renewed by shareholders. The Directors wish to renew the authority to purchase ordinary shares at the forthcoming Annual General Meeting. Accordingly, a resolution authorising the Directors to purchase up to

Report of the Directors – Incorporating the Business Review

14.99% of the share capital in issue on 7 October 2008 will be proposed at the forthcoming Annual General Meeting for which notice is given on page 38.

Although this authority was not used during the year, the Directors believe that it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy-back its ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of ordinary shares. Purchases will only be made if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. This authority will lapse at the conclusion of the Company's Annual General Meeting in 2009 unless renewed earlier.

Issues of Shares and Disapplication of Pre-emption Rights

At the 2007 Annual General Meeting the Directors were given powers to allot new ordinary shares other than pro rata to existing shareholders. The Directors wish to renew these powers at the forthcoming Annual General Meeting. Accordingly, resolutions 6 and 7 as set out in the Notice of Meeting on page 38 will be proposed as an ordinary and a special resolution respectively which, if passed, will give the Directors power to allot ordinary shares for cash on a non pre-emptive basis up to an aggregate nominal amount of £625,041 (equivalent to 6,250,410 ordinary shares of 10p and 5% of the Company's existing issued ordinary share capital at 7 October 2008), as if Section 89(1) of the Companies Act 1985 did not apply. These authorities will lapse unless renewed at the Company's Annual General Meeting in 2009.

The Directors intend to use the authority to issue shares whenever they believe it is advantageous both to new investors and to the Company's existing shareholders to do so. The authority will only be used to issue shares at a premium to net asset value at the time of issue.

Directors and their Interests

The Directors of the Company and their biographical details can be found on the inside front cover. All Directors held office throughout the year under review.

In accordance with the Company's Articles of Association, Mr Lyon and Mr Kingzett will retire by rotation and, being eligible, offer themselves for re-election. In addition, Mr Lyon also retires in accordance with the Company's policy on tenure as outlined in the Corporate Governance Statement. Mr Kingzett is also required to stand for re-election each year in accordance with the UK Listing Rules, as he is an employee of Schroder Investment Management Limited, which receives fees from the Company in accordance with the Management Agreement referred to below. He is not considered by the Board to be independent.

No Director has any material interest in any other contract which is significant to the Company's business.

The Board, having reviewed its performance during the year, considers that Mr Lyon and Mr Kingzett continue to demonstrate commitment to their roles and provide valuable contributions to the deliberations of the Board. It therefore recommends that shareholders vote in favour of their re-election.

The Directors' interests in the Company's share capital at the beginning and end of the financial year ended 31 July 2008, all of which were beneficial, were as follows:

| Director | Ordinary shares of 10p each 31 July 2008 | Ordinary shares of 10p each 1 August 2007 |
|--------------------|---|--|
| Jonathan Taylor | 5,000 | 5,000 |
| Jan Kingzett | 15,000 | 15,000 |
| Peter Lyon | 3,000 | 3,000 |
| John Scott | 8,170 | 8,170 |
| Yoshindo Takahashi | Nil | Nil |

There have been no changes in the above holdings between the end of the financial year and 7 October 2008.

Report of the Directors – Incorporating the Business Review

Substantial Share Interests

As at the date of this report, the Company has received notifications in accordance with the FSA's Disclosure and Transparency Rule 5.1.2 R of the following interests in 3% or more of the voting rights attaching to the Company's issued share capital.

| | Number of Ordinary shares | Percentage of total voting rights |
|-----------------------------|------------------------------|--------------------------------------|
| 1607 Capital Partners, LLC | 12,802,852 | 10.24 |
| Legal and General Group plc | 4,510,204 | 3.60 |

Independent Auditors

The Company's Auditors, PricewaterhouseCoopers LLP, have expressed their willingness to remain in office and a resolution to reappoint them as Auditors to the Company and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The Audit Committee has adopted a policy on the engagement of the Auditors to supply non-audit services to the Company. The Auditors did not supply any non-audit services during the year under review.

Provision of Information to Auditors

The Directors at the date of approval of this report confirm that, so far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Investment Manager

Following their annual review, the Directors consider the continuing appointment of the Investment Manager on the terms of the existing investment management agreement to be in the best interests of the Company.

We believe that the Investment Manager has a strong management team which adopts a transparent investment strategy to assist the Company in meeting its investment objective. The Manager is supported by significant depth of knowledge and experience in Japan, with regional resources and local analysts. Our Manager has demonstrated that it operates with stringent controls across all aspects of its business. Investment management is further backed up with good quality administration.

Schroders provides investment management, accounting and secretarial services to the Company.

The investment management agreement is terminable by either party or not less than one year's notice. At the date of this report no such notice by either party had been given. The Investment Manager is entitled to a management fee at an annual rate of 1.00% payable quarterly in arrears and calculated by reference to the value of the Company's assets under management (net of current liabilities other than short term borrowings) at the end of the relevant quarter up to £150,000,000 and at an annual rate of 0.95% on assets above that amount.

During the year ended 31 July 2008 Schroders was entitled to receive a fee of £90,000 per annum for secretarial services provided to the Company.

The Investment Manager is authorised and regulated by the Financial Services Authority (FSA).

By Order of the Board
Schroder Investment Management Limited
Company Secretary

7 October 2008

Directors' Remuneration Report

The determination of the Directors' fees is a matter dealt with by the Management Engagement Committee and the Board.

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £125,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors carry out in respect of Board and Committee responsibilities, and the time committed to the Company's affairs. The Directors' fees are reviewed annually by the Board. During the year ended 31 July 2008, Directors received fees of £14,000 per annum and the Chairman received fees of £21,000 per annum to reflect his more onerous role.

Additional fees are also paid for membership of each of the Audit, Management Engagement and Nomination Committees. The Committee fees are payable to members of each Committee for their contributions to the deliberations of such Committees. Members of the Audit Committee each receive an additional fee of £2,000 per annum and members of the Management Engagement and Nomination Committees each receive an additional £1,000 per annum.

No Director past or present has any entitlement to pensions, and the Company has not awarded any share options or long-term performance incentives to any of the Directors. No element of the Directors' remuneration is performance related.

The Board believes that the principles in Code Provision B of the Combined Code relating to remuneration do not apply to the Company, except as outlined above, as the Company has no executive Directors.

No Director has a service contract with the Company. However, Directors have a letter of appointment with the Company under which they are entitled to one month's notice in the event of termination. The terms of appointment are available for inspection at the Company's Registered Office address during normal business hours and at the Annual General Meeting ("AGM").

All Directors are appointed for an initial term covering the period from the date of their appointment until the first AGM thereafter, at which they are required to stand for election in accordance with the Articles of Association. Thereafter Directors retire by rotation at least every three years and as required by the Company's policy on tenure. The Chairman meets with each Director before such Director is proposed for re-election and, subject to the evaluation of performance carried out each year, the Board agrees whether it is appropriate for such Directors to seek an additional term.

When recommending whether an individual Director should seek re-election, the Board will take into account the provisions of the Combined Code, including the appropriateness of refreshing the Board and its Committees.

Performance Graph

A graph showing the Company's net asset value and share price total return compared with its benchmark, the TSE First Section Total Return Index, over the last 5 years is shown on page 3.

Remuneration for Qualifying Services

| Director | For the year ended 31 July 2008 fees for services to the Company £ | For the year ended 31 July 2007 fees for services to the Company £ |
|--------------------|---|---|
| Jonathan Taylor | 25,000 | 24,000 |
| Jan Kingzett | 15,000 | 13,000 |
| Peter Lyon | 18,000 | 16,000 |
| John Scott | 18,000 | 16,000 |
| Yoshindo Takahashi | 18,000 | 16,000 |
| | 94,000 | 85,000 |

The information in the above table has been audited (see the Independent Auditors' Report on pages 21 and 22).

By order of the Board
Schroder Investment Management Limited
Company Secretary

7 October 2008

Statement of Directors' Responsibilities

The Directors are responsible for preparing accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period, and are in accordance with applicable United Kingdom law and Generally Accepted Accounting Principles (UK GAAP).

The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the accounts as the assets of the Company consist predominantly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. Further, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of these accounts and applicable accounting standards have been followed. These policies and standards, for which the Directors accept responsibility, have been discussed with the Auditors.

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 accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error, other irregularities and non-compliance with laws and regulations.

The Directors believe that they have complied with these responsibilities.

The Directors, who are listed on the inside front cover of this report, each confirm to the best of their knowledge that

- the financial statements are prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the company, and
- this annual report includes a fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

Corporate Governance

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment trust in order to comply with the principles of the 2006 Combined Code (the "Code").

Compliance Statement

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities set out on page 16, indicates how the Company has complied with the principles of good governance of the Code and its requirements on Internal Control.

The Board considers that the Company has, throughout the year under review, complied with the best practice provisions in Section 1 of the Code, save in respect of the appointment of a Senior Independent Director, where departure from the Code is considered appropriate given the Company's position as an investment trust. The Board has considered whether a Senior Independent Director should be appointed. As the Board comprises entirely non-executive Directors, the appointment of a senior independent Director is not considered necessary. However, the Chairman of the Audit Committee leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

Application of Code Principles

Role of the Chairman

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role and setting its agenda.

Role of the Board

The Board determines and monitors the Company's investment objectives and policy, and considers the future strategic direction of the Company. Matters specifically reserved for decision by the Board have been adopted. The Board is responsible for presenting a balanced and understandable assessment of the Company's position and, where appropriate, future prospects in annual and half-yearly reports and other forms of public reporting. It monitors and reviews the shareholder base of the Company, marketing and shareholder communication strategies, and evaluates the performance of all service providers, with input from its Committees where appropriate. A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company, where appropriate. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representative, who is responsible to the Board, *inter alia*, for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

Board Committees

The Board has delegated certain responsibilities and functions to Committees. Terms of Reference for each of these Committees are available on the Company's website at www.schroderjapangrowthfund.com. Details of membership of the Committees at 31 July 2008 may be found on the inside front cover of this report and information regarding attendance at Committee meetings during the year under review may be found on page 19.

Audit Committee

The role of the Audit Committee is to ensure that the Company maintains the highest standards of integrity in financial reporting and internal control. The Board considers each member of the Committee to be independent. The Board also considers that members of the Committee have recent and relevant financial experience.

To discharge its duties, the Committee met on two occasions during the year ended 31 July 2008 and considered the annual financial statements and half-yearly financial statements, the external Auditors' year-end reports and management letters, the effectiveness of the audit process, the independence and objectivity of the external Auditor and internal controls operating within the management company and custodian.

Corporate Governance

Management Engagement Committee

The role of the Committee is to review the terms of the management contract with the Investment Manager. In addition, the Committee reviews Directors' fees and makes recommendations to the Board in this regard. The Board considers each member of the Committee to be independent.

To discharge its duties, the Committee met on one occasion during the year ended 31 July 2008 and considered the performance and suitability of the Investment Manager, the terms and conditions of the management contract and the fees paid to Directors.

Nomination Committee

The role of the Committee is to consider and make recommendations to the Board on its composition and balance of skills and experience, and on individual appointments, to lead the process and make recommendations to the Board. The Board considers each member of the Committee, with the exception of Mr Kingzett, to be independent.

To discharge its duties, the Committee met on one occasion during the year ended 31 July 2008 and considered an evaluation of the balance of skills and expertise of the Board, succession planning and the selection of suitable candidates for a new Director.

Composition and Independence

The Board currently consists of five non-executive Directors. The biographies of each of these Directors, including their age and length of service, are set out on the inside front cover of this Report. The Board considers each of the Chairman, Mr Taylor, Mr Lyon, Mr Scott and Mr Takahashi to be independent. Mr Kingzett is not deemed independent by virtue of his relationship with the Investment Manager. The independence of each Director is considered on a continuing basis.

The Board has no executive Directors and has not appointed a Chief Executive Officer as it has contractually delegated responsibility for the management of the Company's investment portfolio, the arrangement of custodial services and the provision of accounting and company secretarial services.

The Board is satisfied that it is of sufficient size with an appropriate balance of skills and experience, and that no individual or group of individuals is, or has been, in a position to dominate decision making.

Tenure

The Directors have adopted a policy on tenure that is considered appropriate for an investment trust. The Board does not believe that length of service, by itself, leads to a closer relationship with the Investment Manager or necessarily affects a Directors' independence of character or judgement. Therefore, the independence of Directors will continue to be assessed on a case by case basis. In order to give shareholders the opportunity to endorse this policy, and in accordance with the provisions of the Combined Code, any Director who has served for more than nine years will thereafter be subject to annual re-election by shareholders.

Induction and Training

The Board has adopted a full, formal and tailored induction programme for new Directors, which is administered by the Company Secretary. Directors are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and its internal controls. Regulatory and legislative changes affecting Directors' responsibilities are advised to the Board as they arise along with changes to best practice. Advisers to the Company also prepare reports for the Board from time to time. In addition, Directors attend relevant seminars and events to allow them to continually refresh their skills and knowledge and keep up with changes within the investment trust industry.

Board Evaluation

The Board has adopted a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. The evaluation takes place in two stages, firstly, the evaluation of individual Directors is led by the Chairman, and the evaluation of the Chairman's performance is led by the Chairman of the Audit Committee. Secondly, the Board evaluates its own performance and that of its Committees. The Directors meet at least once a year without the Chairman present and the Chairman of the Audit Committee chairs this meeting.

Corporate Governance

Evaluation is conducted utilising a questionnaire combined with one to one meetings. The Board has developed criteria for use at the evaluation, which focuses on the individual contribution to the Board and its Committees made by each Director and the responsibilities, composition and agenda of the Committees and of the Board itself.

A review of Board composition and balance, including succession planning for appointments to the Board, is included as part of the annual performance evaluation.

Meetings and Attendance

The Board meets at least four times each year and, in addition, meets specifically to discuss strategy once each year. Additional meetings are also arranged as required and regular contact between Directors, the Investment Manager and the Company Secretary is maintained throughout the year. Representatives of the Investment Manager and Company Secretary attend each meeting and other advisers also attend when requested to do so by the Board. Attendance at the four scheduled Board meetings and at Committee meetings held during the year under review is set out in the table below.

Directors' Attendance at Meetings

| Director | Board | Audit Committee | Nomination Committee | Management Engagement Committee |
|--------------------|-------|-----------------|----------------------|---------------------------------|
| Jonathan Taylor | 4/4 | 2/2 | 1/1 | 1/1 |
| Jan Kingzett | 4/4 | N/A | 1/1 | N/A |
| Peter Lyon | 4/4 | 2/2 | 1/1 | 1/1 |
| John Scott | 4/4 | 2/2 | 1/1 | 1/1 |
| Yoshindo Takahashi | 4/4 | 2/2 | 1/1 | 1/1 |

Information Flows

The Chairman ensures that all Directors receive in a timely manner relevant management, regulatory and financial information and are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. The Board receives and considers reports regularly from the Investment Manager and other key advisers and ad hoc reports and information are supplied to the Board as required.

Directors' and Officers' Liability Insurance

During the year, the Company has maintained insurance cover for its Directors and Officers under a Directors' and Officers' liability insurance policy.

Directors' Indemnities

The Company provides a Deed of Indemnity to each Director to the extent permitted by United Kingdom law whereby the Company is able to indemnify such Director against any liability incurred in proceedings in which the Director is successful, and for costs in defending a claim brought against the Director for breach of duty where the Director acted honestly and reasonably.

Relations with Shareholders

The Board believes that the maintenance of good relations with both institutional and retail shareholders is important for the long-term prospects of the Company. It has, since its launch, sought engagement with investors. The Chairman, and other Directors where appropriate, discuss governance and strategy with major shareholders and the Chairman ensures communication of shareholders' views to the Board. The Board receives feedback on the views of shareholders from its corporate broker and the Investment Manager.

The Board believes that the Annual General Meeting provides an appropriate forum for investors to communicate with the Board, and encourages participation. The Annual Report is, when possible, sent to shareholders at least 20 business days before the Annual General Meeting. The Annual General Meeting is typically attended by the Directors and proceedings include a presentation by the Investment Manager. There is an opportunity for individual shareholders to question the chairmen of the Board, Audit and Management Engagement Committees at the

Corporate Governance

Annual General Meeting. Details of proxy votes received in respect of each resolution are made available to shareholders at the meeting and on the Company's website as soon as reasonably practicable after the meeting.

The Board believes that the Company's policy of reporting to shareholders as soon as possible after the Company's year-end and holding the earliest possible Annual General Meeting is valuable. The Notice of Meeting on page 38 sets out the business of the meeting.

Environmental Policy

The Company's primary investment objective is to achieve optimal financial returns for shareholders, within established risk parameters and regulatory constraints. Providing that this objective is not compromised in the process the Board does however, believe that it is also possible to develop a framework that, in the interests of our shareholders, allows a broader range of considerations, including environmental and social issues, to be taken into account when selecting and retaining investments. The investment process therefore contains a review of research into the environmental, social and ethical stance of companies. Where potential financial or reputational risks are identified, their materiality is assessed and given due consideration when selecting or retaining investments.

Exercise of Voting Powers

The Company has delegated responsibility for voting to Schroders who votes in accordance with its corporate governance policy. A copy of this policy is available on the Company's website.

Internal Control

The Code requires the Board to at least annually conduct a review of the adequacy of the Company's systems of internal control and report to shareholders that it has done so. The Board has undertaken a full review of all the aspects of the Turnbull Guidance for Directors on the Combined Code, as revised in October 2005 (the "Turnbull Guidance"), under which the Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has approved a detailed Risk Map identifying significant strategic, investment-related, operational and service provider-related risks and has adopted an enhanced monitoring system to ensure that risk management and all aspects of internal control are considered on a regular basis, and fully reviewed at least annually.

The Board believes that the key risks identified and the implementation of an on-going system to identify, evaluate and manage these risks are based upon and relevant to the Company's business as an investment trust. Risk assessment, which has been in place throughout the financial year and up to the date of this report, includes consideration of the scope and quality of the systems of internal control, including any whistleblowing policies where appropriate, adopted by the Investment Manager and other major service providers, and ensures regular communication of the results of monitoring by third parties to the Board, the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition. No significant control failings or weaknesses were identified during the course of the year and up to the date of this report, from our on-going risk assessment.

Although the Board believes that it has a robust framework of internal control in place this can provide only reasonable and not absolute assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

The Company does not have an internal audit function as it employs no staff and delegates to third parties most of its operations. The Board will continue to monitor its system of internal control and will continue to take steps to embed the system of internal control and risk management into the operations of the Company. In doing so, the Audit Committee will review at least annually whether a function equivalent to an internal audit is needed.

Independent Auditors' Report¹

To the shareholders of Schroder Japan Growth Fund plc

We have audited the accounts of Schroder Japan Growth Fund plc for the year ended 31 July 2008 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. These accounts 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.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the accounts 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. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the accounts 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). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts 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 accounts. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement and the Investment Managers' Review and Investment Portfolio that is cross referenced from the Business Review section of the Report of the Directors.

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 Combined Code 2006 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 other information contained in the Annual Report and consider whether it is consistent with the audited accounts. The other information comprises only the Financial Highlights, Ten year record and Portfolio Sector Distribution, the Chairman's Statement, the Investment Managers' Review and Investment Portfolio and the other elements of the Investment Review, the Report of the Directors, the Corporate Governance Statement, the unaudited part of the Directors' Remuneration Report and Financial Highlights. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

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 accounts 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 accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

Independent Auditors' Report¹

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 accounts 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 accounts and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the accounts 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 2008 and of its net loss and cash flows for the year then ended;
- the accounts 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 accounts.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

7 October 2008

¹ The Report and Accounts is published on the Company's website, www.schroderjapangrowthfund.com. The maintenance and integrity of the website maintained by the Company is the responsibility of the Company. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of this website or any other website upon which the accounts may be published and accordingly, the Auditors accept no responsibility for any changes that have occurred to the accounts 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 accounts may differ from legislation in their jurisdiction.

Income Statement

| | Note | Year to 31 July 2008 | | | Year to 31 July 2007 | | |
|---|----------|----------------------|------------------|-----------------|----------------------|------------------|----------------|
| | | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Losses on investments held at fair value | 2 | – | (23,211) | (23,211) | – | (9,138) | (9,138) |
| Other currency (losses)/gains | 3 | – | (2,604) | (2,604) | – | 2,861 | 2,861 |
| Income | 4 | 2,691 | – | 2,691 | 2,080 | – | 2,080 |
| Investment management fee | 5 | (1,392) | – | (1,392) | (1,565) | – | (1,565) |
| Administrative expenses | 6 | (424) | – | (424) | (390) | – | (390) |
| Net return/(loss) before finance costs and taxation | | 875 | (25,815) | (24,940) | 125 | (6,277) | (6,152) |
| Interest payable and similar charges | 7 | (315) | – | (315) | (244) | – | (244) |
| Net return/(loss) on ordinary activities before taxation | | 560 | (25,815) | (25,255) | (119) | (6,277) | (6,396) |
| Taxation on ordinary activities | 8 | (177) | – | (177) | (142) | – | (142) |
| Net return/(loss) attributable to equity shareholders | | 383 | (25,815) | (25,432) | (261) | (6,277) | (6,538) |
| Net return/(loss) per ordinary share | 9 | 0.31p | (20.65)p | (20.34)p | (0.21)p | (5.02)p | (5.23)p |

The Total column of this statement is the profit and loss account of the Company. The Revenue and Capital columns are both provided in accordance with guidance issued by The Association of Investment Companies. The Company has no recognised gains or losses other than those disclosed in the Income Statement and the Reconciliation of Movements in Shareholders' Funds. Accordingly no Statement of Total Recognised Gains and Losses is presented.

All revenue and capital items in the above statement derive from continuing operations.

The Notes on pages 27 to 37 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

| | Called up share capital £'000 | Share premium account £'000 | Share purchase reserve £'000 | Warrant exercise reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|--|--|--------------------------------------|---------------------------------------|---|-----------------------------|-----------------------------|----------------|
| At 31 July 2006 | 12,501 | 7 | 97,205 | 3 | 40,124 | (7,676) | 142,164 |
| Net loss on ordinary activities | – | – | – | – | (6,277) | (261) | (6,538) |
| At 31 July 2007 | 12,501 | 7 | 97,205 | 3 | 33,847 | (7,937) | 135,626 |
| At 31 July 2007 | 12,501 | 7 | 97,205 | 3 | 33,847 | (7,937) | 135,626 |
| Net (loss)/return on ordinary activities | – | – | – | – | (25,815) | 383 | (25,432) |
| At 31 July 2008 | 12,501 | 7 | 97,205 | 3 | 8,032 | (7,554) | 110,194 |

The Notes on pages 27 to 37 form an integral part of these accounts.

Balance Sheet

| | Note | At 31 July 2008 £'000 | At 31 July 2007 £'000 |
|---|------|--------------------------------|--------------------------------|
| Fixed assets | | | |
| Investments held at fair value through profit or loss | 10 | 125,850 | 153,014 |
| Current assets | | | |
| Debtors | 12 | 560 | 2,810 |
| Cash at bank and short-term deposits | 22 | 7,780 | 3,015 |
| | | 8,340 | 5,825 |
| Current liabilities | | | |
| Creditors – amounts falling due within one year | 13 | (23,996) | (23,213) |
| Net current liabilities | | (15,656) | (17,388) |
| Net assets | | 110,194 | 135,626 |
| Capital and reserves | | | |
| Called-up share capital | 14 | 12,501 | 12,501 |
| Share premium account | 15 | 7 | 7 |
| Share purchase reserve | 16 | 97,205 | 97,205 |
| Warrant exercise reserve | 17 | 3 | 3 |
| Capital reserve | 18 | 8,032 | 33,847 |
| Revenue reserve | 19 | (7,554) | (7,937) |
| Equity shareholders' funds | | 110,194 | 135,626 |
| Net asset value per ordinary share | 20 | 88.15p | 108.49p |

The accounts were approved by the Board of Directors on 7 October 2008 and signed on behalf of the Board by:

Jonathan Taylor

Director

The Notes on pages 27 to 37 form an integral part of these accounts.

Cash Flow Statement

| | Note | For the year ended 31 July 2008 £'000 | For the year ended 31 July 2007 £'000 |
|--|-----------|--|--|
| Operating activities | | | |
| Income received from investments | | 2,470 | 2,025 |
| Interest received on deposits | | 78 | 50 |
| Stock lending fee income | | 81 | – |
| Investment management fee paid | | (1,464) | (1,585) |
| Administrative expenses paid | | (355) | (361) |
| Net cash inflow from operating activities | 21 | 810 | 129 |
| Servicing of finance | | | |
| Bank overdraft interest paid | | – | (1) |
| Bank loan interest paid | | (301) | (238) |
| Net cash outflow from servicing of finance | | (301) | (239) |
| Taxation | | | |
| Overseas tax paid | | (173) | (142) |
| Total tax paid | | (173) | (142) |
| Investment activities | | | |
| Acquisition of investments | | (33,126) | (39,029) |
| Disposal of investments | | 37,472 | 43,496 |
| Net cash inflow from investment activities | | 4,346 | 4,467 |
| Net cash inflow before financing | | 4,682 | 4,215 |
| Financing | | | |
| Bank loans repaid | | – | (6,180) |
| Net cash outflow from financing | | – | (6,180) |
| Net cash inflow/(outflow) | | 4,682 | (1,965) |
| Reconciliation of Net Cash Flow to Movement in Net Debt | | | |
| Net cash inflow/(outflow) | | 4,682 | (1,965) |
| Movement in borrowings | | – | 6,180 |
| Movement in net debt resulting from cash flows | | 4,682 | 4,215 |
| Net debt at 1 August | | (17,651) | (24,727) |
| Realised exchange gains on currency balances | | 83 | 1,504 |
| Unrealised exchange (loss)/gain on the loan facility | | (2,687) | 1,357 |
| Net debt at 31 July | 22 | (15,573) | (17,651) |

The Notes on pages 27 to 37 form an integral part of these accounts.

Notes to the Accounts

1. Accounting policies

The principal accounting policies have been applied consistently throughout the year ended 31 July 2008, are unchanged from 2007 and are set out below.

a – Basis of preparation

The accounts have been prepared on a going concern basis and under the historical cost convention, modified to include the revaluation of investments and in accordance with applicable UK Accounting Standards and with the Statement of Recommended Practice ("SORP") for "Financial Statements of Investment Trust Companies" issued in January 2003 and revised in December 2005 by the Association of Investment Companies (AIC).

The Company has adopted FRS 29: 'Financial Instruments: Disclosures' for the first time in these accounts. FRS 29 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and/or valuation of the Company's financial instruments. The disclosures required by this standard are given in note 24 on pages 34 to 38.

b – Presentation of Income Statement

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. In accordance with the Company's status as a UK investment company under section 266 of the Companies Act 1985, net capital returns may not be distributed by way of dividend.

c – Income

Dividends receivable from shares are taken to revenue on an ex-dividend basis, except where in the opinion of the Directors, the dividend is capital in nature in which case it is taken to capital. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as revenue. Any excess in the value of the shares received over the amount of cash dividend foregone is recognised in the capital reserve.

Interest receivable from bank deposits, stock lending income (net of agents fees and commissions) and other income is recognised on an accruals basis.

d – Expenses and interest payable

All expenses, including the investment management fee and interest payable are accounted for on an accruals basis.

Expenses are charged through revenue except those expenses incidental to the acquisition or disposal of investments which are charged to capital. This allocation is in accordance with the Board's expected long-term split of returns in the form of capital and revenue profits respectively.

e – Investments

All investments are classified as held at fair value through profit or loss. They are initially recognised on the trade date and measured, then and subsequently, at fair value. Fair value is assumed to be the bid value of investments at the close of business on the relevant date. The convention of the Tokyo Stock Exchange, on which the investments held by the Company are listed, is to quote a single price for the security being the last traded price. No separate bid or offer prices are given. Accordingly, listed Investments are valued at last traded price.

Changes in fair value are included in the Income Statement as a capital item and are not distributable by way of a dividend.

f – Foreign exchange

The Company is a UK listed company with a predominantly UK shareholder base. The results and financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company. Transactions denominated in foreign currencies are calculated in sterling at the rate of exchange ruling at the date of such transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date, and the resulting gains or losses are taken to capital.

g – Taxation

Deferred tax is provided in full, using the liability method, on all taxable and deductible temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

Due to the company's status as an investment trust company, and the intention to continue to meet the conditions required by section 842 of the Income and Corporation Taxes Act 1988 to obtain approval in the foreseeable future, the company has not provided for deferred tax on any capital gains and losses arising on the revaluation of investments, or current tax on any capital gains on the disposal of investments.

h – Capital Reserve

The following are accounted for in this reserve:

- gains and losses on the realisation of investments
- increases and decreases in the valuation of investments held at the year end;
- realised exchange differences of a capital nature;
- unrealised exchange differences of a capital nature; and
- other capital charges and credits charged to this account in accordance with the above policies.

Notes to the Accounts

2. Losses on investments held at fair value

| | For the year ended 31 July 2008 £'000 | For the year ended 31 July 2007 £'000 |
|--|--|--|
| Net (loss)/gain on disposal of investments held at fair value through profit or loss | (5,872) | 4,291 |
| Unrealised depreciation of investments arising during the year | (17,339) | (13,429) |
| | (23,211) | (9,138) |

3. Other currency (losses)/gains

| | For the year ended 31 July 2008 £'000 | For the year ended 31 July 2007 £'000 |
|--|--|--|
| Realised exchange gains on currency balances | 83 | 1,504 |
| Unrealised exchange (loss)/gain on the loan facility | (2,687) | 1,357 |
| | (2,604) | 2,861 |

4. Income

| | For the year ended 31 July 2008 £'000 | For the year ended 31 July 2007 £'000 |
|--|--|--|
| Income from investments held at fair value through profit or loss: | | |
| Overseas dividends | 2,523 | 2,025 |
| | 2,523 | 2,025 |
| Stock lending fee income (note 11) | 87 | – |
| Interest on deposits | 81 | 55 |
| | 2,691 | 2,080 |

5. Investment management fee

| | For the year ended 31 July 2008 £'000 | For the year ended 31 July 2007 £'000 |
|----------------|--|--|
| Management fee | 1,392 | 1,565 |
| | 1,392 | 1,565 |

6. Administrative expenses

| | For the year ended 31 July 2008 £'000 | For the year ended 31 July 2007 £'000 |
|---|--|--|
| General expenses | 222 | 214 |
| Directors' fees | 94 | 85 |
| Secretarial fee | 90 | 75 |
| Auditors' remuneration: | | |
| Fees payable to the company's auditors for the audit of the company's annual accounts | 18 | 16 |
| | 424 | 390 |

Notes to the Accounts

7. Interest payable

| | For the year ended 31 July 2008 £'000 | For the year ended 31 July 2007 £'000 |
|---------------------------------|--|--|
| Bank overdraft interest payable | – | 1 |
| Bank loan interest payable | 315 | 243 |
| | 315 | 244 |

8. Taxation

(a) Analysis of charge in the year:

| | For the year ended 31 July 2008 £'000 | For the year ended 31 July 2007 £'000 |
|-------------------------------------|--|--|
| Irrecoverable overseas tax | 177 | 142 |
| Total current taxation (note 8 (b)) | 177 | 142 |

(b) Factors affecting tax charge for the year

No provision has been made for taxation on any realised gains on investments as the Company has conducted itself so as to achieve investment trust status under Section 842 of the Income and Corporation Taxes Act 1988.

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%).

Approved investment trust companies are exempt from tax on capital gains within the Company.

The differences are explained below:

| | For the year ended 31 July 2008 | | | For the year ended 31 July 2007 | | |
|---|--|--------------------------|------------------------|---------------------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Profit/(loss) on ordinary activities before tax | 560 | (25,815) | (25,255) | (119) | (6,277) | (6,396) |
| Profit/(loss) on ordinary activities multiplied by standard rate of: | | | | | | |
| corporation tax in the UK of 30% (2007: 30%) | 112 | (5,163) | (5,051) | (36) | (1,883) | (1,919) |
| corporation tax in the UK of 28%* (2007: 30%) | 52 | (2,409) | (2,357) | – | – | – |
| Effects of: | | | | | | |
| Capital returns on investments | – | 7,572 | 7,572 | – | 1,883 | 1,883 |
| Irrecoverable overseas tax | 177 | – | 177 | 142 | – | 142 |
| Income taxable in different years | (16) | – | (16) | – | – | – |
| Expenses not utilised in the year | – | – | – | 36 | – | 36 |
| Expenses not deductible for tax purposes | 1 | – | 1 | – | – | – |
| Utilisation of excess expenses from prior periods | (149) | – | (149) | – | – | – |
| Current tax charge for the year (note 8(a)) | 177 | – | 177 | 142 | – | 142 |

*Under the Finance Act 2008, the rate of corporation tax was lowered to 28% from 1 April 2008.

(c) Provision for deferred tax

No provision for deferred tax has been made in the current or prior year.

(d) Factors that may affect future tax charges

The Company has not recognised a deferred tax asset of £1,830,000 (2007: £2,141,000) in respect of unutilised management expenses and £703,000 (2007: £527,000) in respect of eligible unrelieved foreign tax.

It is unlikely that these amounts will be utilised in future accounting periods unless the investment policy of the Company or the tax treatment is changed.

Notes to the Accounts

9. Loss per ordinary share

| | For the year ended 31 July 2008 | For the year ended 31 July 2007 |
|-----------------------------------|--|---------------------------------------|
| Revenue (£'000) | 383 | (261) |
| Capital (£'000) | (25,815) | (6,277) |
| Total (£'000) | (25,432) | (6,538) |
| Weighted average number of shares | 125,008,200 | 125,008,200 |
| Revenue | 0.31p | (0.21)p |
| Capital | (20.65)p | (5.02)p |
| Total | (20.34)p | (5.23)p |

10. Investments held at fair value through profit or loss

| | For the year ended 31 July 2008 £'000 | For the year ended 31 July 2007 £'000 |
|---|--|--|
| Movements of investments held as fixed assets: | | |
| Book cost brought forward | 151,458 | 152,424 |
| Acquisitions at cost | 31,268 | 38,979 |
| Proceeds of disposals | (35,221) | (44,236) |
| Net (losses)/gains realised on disposals | (5,872) | 4,291 |
| Closing book cost | 141,633 | 151,458 |
| Unrealised (depreciation)/appreciation of investments | (15,783) | 1,556 |
| Closing valuation of investments | 125,850 | 153,014 |

All investments are listed on a recognised stock exchange.

The following transaction costs, including stamp duty and broker commissions were incurred during the year:

| | For the year ended 31 July 2008 £'000 | For the year ended 31 July 2007 £'000 |
|-----------------|--|--|
| On acquisitions | 36 | 40 |
| On disposals | 41 | 48 |
| | 77 | 88 |

11. Stock lending

| | At 31 July 2008 £'000 | At 31 July 2007 £'000 |
|---|--------------------------------------|-----------------------------|
| Aggregate value of securities on loan at year end | 9,195 | – |
| Maximum aggregate value of securities on loan during the year | 16,364 | – |
| Fee income from stock lending during the year | 87 | – |

The Company had securities on loan at the year end to the value of £9,195,000 (2007: nil).

The Company carries out stock lending activities, and is entitled to income earned from these activities net of bank and agent fees amounting to £22,000, which was deducted by JP Morgan Chase Bank, as shown in Note 4.

At 31 July 2008, the Company held £33,295,000 as collateral, the value of which exceeded the value of the securities on loan by 262%.

Notes to the Accounts

12. Debtors

| | At 31 July 2008 £'000 | At 31 July 2007 £'000 |
|-------------------------------------|-----------------------------|-----------------------------|
| Amounts receivable within one year: | | |
| Disposals for future settlement | 389 | 2,640 |
| Accrued income | 142 | 84 |
| Prepaid expenses | 17 | 16 |
| Other debtors | 12 | 70 |
| | 560 | 2,810 |

13. Creditors

| | At 31 July 2008 £'000 | At 31 July 2007 £'000 |
|---|-----------------------------|-----------------------------|
| Amounts falling due within one year: | | |
| Bank loan | 23,353 | 20,666 |
| Acquisitions for future settlement | 181 | 2,039 |
| Accrued expenses | 462 | 508 |
| | 23,996 | 23,213 |

The Company has a loan facility of Yen 5 billion (2007: Yen 6.5 billion) with ING Bank N.V. of which Yen 5 billion was drawn down at the end of the year (2007: Yen 5 billion). This facility has a revolving 364 day term, is chargeable at a floating rate linked to the Yen LIBOR and is unsecured.

14. Called up share capital

| | At 31 July 2008 £'000 | At 31 July 2007 £'000 |
|---|-----------------------------|-----------------------------|
| Authorised: 187,500,000 (2007: 187,500,000) ordinary shares of 10p each | 18,750 | 18,750 |
| Allotted, Called up and Fully paid: 125,008,200 ordinary shares of 10p each | 12,501 | 12,501 |

15. Share premium account

| | At 31 July 2008 £'000 | At 31 July 2007 £'000 |
|---|-----------------------------|-----------------------------|
| Balance brought forward and carried forward | 7 | 7 |

16. Share purchase reserve

| | At 31 July 2008 £'000 | At 31 July 2007 £'000 |
|---|-----------------------------|-----------------------------|
| Balance brought forward and carried forward | 97,205 | 97,205 |

17. Warrant exercise reserve

| | At 31 July 2008 £'000 | At 31 July 2007 £'000 |
|---|-----------------------------|-----------------------------|
| Balance brought forward and carried forward | 3 | 3 |

Notes to the Accounts

18. Capital reserve

| | Realised £'000 | Unrealised £'000 | Total £'000 |
|---|-------------------|---------------------|----------------|
| Balance brought forward | 24,956 | 8,891 | 33,847 |
| Transfer of brought forward unrealised reserve* | 8,891 | (8,891) | – |
| Losses on investments held at fair value | (23,211) | – | (23,211) |
| Realised exchange gains on currency balances | 83 | – | 83 |
| Unrealised exchange losses on the loan facility | (2,687) | – | (2,687) |
| Balance carried forward | 8,032 | – | 8,032 |

*Under a technical release issued by the ICAEW Tech 02/07 "Distributable Profits – Implications of Recent Accounting Changes", the definition of realised profits as originally defined in Tech 7/03 for Investment Companies has been amended to the extent that under fair value accounting, any mark to market gains and losses at the balance sheet date will be carried to realised rather than unrealised reserves, provided that the gains and losses recognised are deemed to be readily realisable to cash. Accordingly, the brought forward unrealised reserve balance has been transferred to the realised reserve, with subsequent increases and decreases in the valuation of investments and the loan at the year-end being included within Capital reserve – realised, rather than Capital reserve – unrealised.

19. Revenue reserve

| | At 31 July 2008 £'000 | At 31 July 2007 £'000 |
|--|-----------------------------|-----------------------------|
| Balance brought forward | (7,937) | (7,676) |
| Net revenue return/(loss) for the year | 383 | (261) |
| Balance carried forward | (7,554) | (7,937) |

20. Net asset value per ordinary share

| | At 31 July 2008 | At 31 July 2007 |
|------------------------------------|--------------------|--------------------|
| Net asset value per ordinary share | 88.15p | 108.49p |

The net asset value per ordinary share is based on net assets attributable to ordinary shareholders of £110,194,000 (2007: £135,626,000) and 125,008,200 (2007: 125,008,200) ordinary shares in issue at the year-end.

21. Reconciliation of return before finance costs and taxation to net cash inflow from operating activities

| | For the year ended 31 July 2008 £'000 | For the year ended 31 July 2007 £'000 |
|---|--|--|
| Net losses before finance costs and taxation | (24,940) | (6,152) |
| Losses on investments held at fair value | 23,211 | 9,138 |
| Other currency losses/(gains) | 2,604 | (2,861) |
| Increase in accrued income (gross) | (62) | (5) |
| Decrease in prepayments and other debtors | 57 | 18 |
| Decrease in accrued expenses (excl. interest) | (60) | (9) |
| Net cash inflow from operating activities | 810 | 129 |

Notes to the Accounts

22. Analysis of changes in net debt

| | At 31 July 2007 £'000 | Cash flow £'000 | Movement in borrowings £'000 | Exchange gain/(loss) £'000 | At 31 July 2008 £'000 |
|------------------------------------|-----------------------------|--------------------|------------------------------------|----------------------------------|-----------------------------|
| Cash at bank & short-term deposits | 3,015 | 4,682 | – | 83 | 7,780 |
| Net cash at 31 July | 3,015 | 4,682 | – | 83 | 7,780 |
| Bank loan | (20,666) | – | – | (2,687) | (23,353) |
| Net debt at 31 July | (17,651) | 4,682 | – | (2,604) | (15,573) |

23. Related party transactions

The Company has appointed Schroders to provide investment management, accounting, secretarial and administration services. Details of the management and secretarial fee arrangements for these services are given in the Report of the Directors on page 14. The total management fee payable under this agreement to Schroders in respect of the year ended 31 July 2008 was £1,392,000 (2007: £1,565,000), of which £315,000 (2007: £387,000) was outstanding at the year end. The total secretarial (excluding VAT) payable to Schroders in respect of the year ended 31 July 2008 was £90,000 (2007: £75,000), of which £34,000 (2007: £19,000) was outstanding at the year end.

Banking facilities were provided during the year by Schroder & Co Limited. At 31 July 2008, the balance held at Schroder & Co Limited was £177,000 (2007: £85,000) and the interest receivable at the year end was £1,000 (2007: £nil).

In addition to the above services, Schroders also provided investment trust dealing services. The total cost to the Company of this service, payable to Equiniti Limited, for the year ended 31 July 2008 was £6,000 (2007: £6,000), of which £9,000 (2007: £3,000) was outstanding at the year end.

24. Financial Instruments

Risk management policies and procedures

The Company's investment objective is to achieve capital growth from an actively managed portfolio principally comprising securities listed on the Japanese stock markets, with the aim of achieving growth in excess of the TSE First Section Total Return Index over the longer term. In addition, the Company holds cash and short-term deposits and provides for items such as debtors and creditors that arise directly from its operations. The financial instruments held by the Company are generally liquid. The Company's assets and liabilities are all stated at fair value.

The holding of securities, investing activities and associated financing undertaken pursuant to this objective involves certain inherent risks. Events may occur that would result in either a reduction in the Company's net assets or a reduction of potential revenue profits available for dividend. As an investment trust, the Company invests in securities for the long term. Accordingly it is, and has been throughout the year under review, the Company's policy that no short-term trading in investments or other financial instruments shall be undertaken.

The main risk arising from the Company's financial instruments is market price risk. The Board reviews and agrees policy for managing this risk, as summarised below. This policy has remained substantially unchanged throughout the current and preceding year.

1. Financial Risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – price risk, currency risk and interest rate risk. The Company's investment manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

a. Price Risk

The Company is an investment company and as such its performance is dependent on the valuation of its investments. Consequently price risk is the most significant risk that the Company is exposed to. A detailed breakdown of the investment portfolio is given on pages 8 and 9. Investments are valued in accordance with the Company's accounting policies as stated in Note 1. Uncertainty arises as a result of future changes in the market prices of the Company's equity investments and the effect changes in exchange rates may have on the sterling value of these investments.

Management of the risk

In order to manage this risk the Directors meet regularly with the Manager to compare the performance of the portfolio against market indices and comparable investment trusts. The Company does not generally hedge against the effect of changes in the underlying prices of the investments as it is believed that the costs associated with such a process would result in an unacceptable reduction in the prospects for capital growth.

The Company had no derivative instruments at the year-end, but, in the event that it had, the value of derivative instruments held at the balance sheet date would be determined by reference to their market value at that date.

Notes to the Accounts

Price risks exposure

The Company's exposure to other changes in market prices at 31 July on its quoted equity investments was as follows:

| | 31 July 2008 | 31 July 2007 |
|--|---------------------|--------------|
| | £'000 | £'000 |
| Non-current asset investments at fair value through profit or loss | 125,850 | 153,014 |

Concentration of exposure to price risk

Although there is a concentration of exposure to Japan, it should be noted that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the equity to an increase or decrease of 10% in the fair values of the Company's equities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at each balance sheet date, with all other variables held constant.

| | 31 July 2008 | | 31 July 2007 | |
|--|-----------------------------------|-----------------------------------|---------------------------|---------------------------|
| | Increase in fair value | Decrease in fair value | Increase in fair value | Decrease in fair value |
| | £'000 | £'000 | £'000 | £'000 |
| Effect on revenue return | (126) | 126 | (153) | 153 |
| Effect on capital return | 12,585 | (12,585) | 15,301 | (15,301) |
| Effect on total return and on net assets | 12,459 | (12,459) | 15,148 | (15,148) |

b. Currency Risk

The Company is exposed to foreign currency risk through its investment in securities listed on overseas stock markets. Both the amount and the currency split of the financial instruments are expected to fluctuate as cash flow payments and receipts are made on a regular basis in currencies other than sterling.

Management of the risk

The Investment Manager monitors the Company's exposure to foreign currencies on a daily basis, and reports to the board on a regular basis. It is the policy of the Company to consider entering into forward foreign exchange contracts, in addition to foreign currency loans, to hedge against foreign currency movements affecting the value of the investment portfolio. At 31 July 2008 and at 31 July 2007 the Company had no forward foreign exchange contracts in place.

Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure at 31 July 2008 are shown below.

Where the Company's equity investments (which are not monetary items) are priced in foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

| | 31 July 2008 | 31 July 2007 |
|---|---------------------|--------------|
| | £'000 | £'000 |
| Debtors (due from brokers, dividends receivable and accrued income) | 515 | 2,717 |
| Cash at bank and short-term deposits | 5,667 | 1,561 |
| Creditors (due to brokers and accruals) | (181) | (2,039) |
| Borrowings under the multi-currency loan facility | (23,353) | (20,666) |
| Foreign currency exposure on net monetary items | (17,352) | (18,427) |
| Investments at fair value through profit or loss that are equities | 125,850 | 153,014 |
| Total net foreign currency exposure | 108,498 | 134,587 |

At the year end, approximately 98% (2007:99%) of the Company's net assets were denominated in currencies other than sterling. This level of exposure is broadly representative of the levels throughout the period.

Foreign currency sensitivity

During the financial year sterling depreciated by 11.5% against the Japanese Yen (2007: appreciated by 13.2%). It is not possible to forecast how much rates might move in the next year, but based on the movements in the last two years, it appears reasonably possible that rates could change by 12%.

Notes to the Accounts

The following table illustrates the sensitivity of the profit after taxation for the year and the equity in regard to the Company's financial assets and financial liabilities and the exchange rates for £/Japanese Yen, assuming a 12% change in rate.

If Sterling had weakened against the Japanese Yen, with all other variables held constant, this would have the following effect:

| | 31 July 2008 | 31 July 2007 |
|--|---------------------|--------------|
| | £'000 | £'000 |
| Effect on revenue return | 17 | 11 |
| Effect on capital return | 14,778 | 18,342 |
| Effect on total return and on net assets | 14,795 | 18,353 |

If Sterling had strengthened against the Japanese Yen, with all other variables held constant, this would have the following effect:

| | 31 July 2008 | 31 July 2007 |
|--|---------------------|--------------|
| | £'000 | £'000 |
| Effect on revenue | (14) | (8) |
| Effect on capital | (11,611) | (14,412) |
| Effect on total return and on net assets | (11,625) | (14,420) |

In the opinion of the directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently as part of the currency risk management process used to meet the Company's objectives.

c. Interest Rate Risk

The Company will be affected by interest rate changes as it holds interest-bearing financial assets and liabilities. Interest rate changes will also have an impact in the valuation of equities, although this forms part of price risk, which is considered separately above.

The Company has a loan facility of Yen 5 billion (2007: Yen 6.5 billion) with ING Bank N.V. This facility has a revolving 364 day term. The interest is chargeable at a floating rate linked to Yen LIBOR and is unsecured.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and borrowing under the loan facility. The level of gearing is reviewed by the Board on a regular basis.

The Company, generally, does not hold significant cash balances, with short-term borrowings being used when required.

Derivative contracts are not used to hedge against the exposure to interest rate risk.

Interest rate exposure

The exposure, at 31 July, of financial assets and liabilities to interest rate risk is shown by reference to:

- floating interest rates (i.e. giving cash flow interest rate risk) – when the rate is due to be re-set;
- fixed interest rates (i.e. giving fair value interest rate risk) – when the financial instrument is due for repayment.

| | 31 July 2008 | | | 31 July 2007 | | |
|--|--------------------------------------|---|------------------------|-----------------------------|--------------------------------|----------------|
| | Within one year £'000 | More than one year £'000 | Total £'000 | Within one year £'000 | More than one year £'000 | Total £'000 |
| Exposure to floating interest rates: | | | | | | |
| Cash at bank and short-term deposits | 7,780 | – | 7,780 | 3,015 | – | 3,015 |
| Creditors: amounts falling due within one year | | | | | | |
| – Bank loan | (23,353) | – | (23,353) | (20,666) | – | (20,666) |
| Total exposure to interest rates | (15,573) | – | (15,573) | (17,651) | – | (17,651) |

The above year end amounts are generally representative of the exposure to interest rates during the year. Although the level of exposure may change as borrowings are drawn down and repaid, the level of loan drawn down throughout the year has remained constant at Yen 5 billion. This is not necessarily indicative of the exposure to interest rates in the year ahead, since the level of borrowings and/or cash held during the year will be affected by the strategy being followed in response to the Board's and Manager's perception of market prospects and the investment opportunities available at any one time.

The exposures disclosed above are all within one year and at floating rates. There has been no exposure to long-term or fixed interest rates during the year.

Notes to the Accounts

Interest rate sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and equity to an increase or decrease of 50 (2007: 50) basis points in interest rates in regard to the Company's monetary financial assets and 50 (2007:50) basis points in regard to the Company's monetary liabilities, which are subject to interest rate risk.

This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at each balance sheet date, with all other variables held constant.

| | 31 July 2008 | | 31 July 2007 | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | Increase in rate £'000 | Decrease in rate £'000 | Increase in rate £'000 | Decrease in rate £'000 |
| Effect on revenue | (78) | 78 | (88) | 88 |
| Effect on capital | - | - | - | - |
| Effect on total return and on net assets | (78) | 78 | (88) | 88 |

In the opinion of the directors, the above sensitivity analyses may not be representative of the year as a whole, since the level of exposure may change as borrowings are drawn down and repaid throughout the year.

2. Liquidity Risk

Liquidity risk is the possibility of failure of the Company to realise sufficient assets to meet its financial liabilities.

Management of the risk

The Company's assets mainly comprise readily realisable securities which may be sold to meet funding requirements as necessary.

Liquidity risk exposure

A summary of the Company's financial liabilities is provided below in note 5.

3. Credit Risk

Credit risk is the exposure to loss from failure of a counterparty to deliver securities or cash for acquisitions or disposals of investments or to repay deposits.

Management of the risk

This risk is not considered significant. The Company manages credit risk by entering into deals only with brokers pre-approved by a credit committee of Schroder Investment Management Limited. These arrangements were in place throughout the current year and the prior year.

Credit risk exposure

The exposure to credit risk at the year-end comprised:

| | 31 July 2008 £'000 | 31 July 2007 £'000 |
|---------------------------|-----------------------|-----------------------|
| Balances due from brokers | 389 | 2,640 |
| Accrued income | 142 | 84 |
| Cash at bank | 7,780 | 3,015 |
| | 8,311 | 5,739 |

During the year all deposits placed were with banks that had ratings of A or higher.

All of the above financial assets are current, their fair values are considered to be the same as the values shown and the likelihood of a material credit default is considered to be low.

4. Fair Values of Financial Assets and Financial Liabilities

The Company's financial instruments are stated at their fair values at the year-end. The fair value of shares and securities is based on last traded market prices. Borrowings under the loan facility are short term in nature and hence do not have a value materially different from their capital repayment amount.

5. Summary of Financial Assets and Financial Liabilities by Category

The carrying amounts of the Company's financial assets and financial liabilities as recognised at the balance sheet date of the reporting periods under review are categorised as follows:

Notes to the Accounts

Financial Assets

| | 31 July 2008 | 31 July 2007 |
|---|---------------------|--------------|
| | £'000 | £'000 |
| Financial assets at fair value through profit or loss: | | |
| Fixed asset investments – designated as such on initial recognition | 125,850 | 153,014 |
| Loans and receivables: | | |
| Current assets: | | |
| Debtors (due from brokers, dividends receivable and accrued income) | 560 | 2,810 |
| Cash at bank and short-term deposits | 7,780 | 3,015 |
| | 8,340 | 5,825 |

Financial Liabilities

| | 31 July 2008 | 31 July 2007 |
|--|---------------------|--------------|
| | £'000 | £'000 |
| Measured at amortised cost | | |
| Creditors: amounts falling due within one year | | |
| Borrowings under the currency loan facility | 23,353 | 20,666 |
| Due to brokers | 181 | 2,039 |
| Accruals | 462 | 508 |
| | 23,996 | 23,213 |

6. Capital management policies and procedures

The Company's capital is represented by its net assets, which are managed to achieve the Company's investment objective, set out on the inside front cover.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- (i) the planned level of gearing through the Company's loan facility;
- (ii) the need to buy back or issue equity shares; and
- (iii) the determination of dividend payments.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

The Company is subject to externally imposed capital requirements through the Companies Act, with respect to its status as a public company.

In addition, with respect to the obligation and ability to pay dividends, the Company must comply with the provisions of section 842 Income and Corporation Taxes Act 1988 and the Companies Act respectively.

These provisions are unchanged since the previous year and the Company has complied with them.

Notice of Meeting

NOTICE is hereby given that the Annual General Meeting of Schroder Japan Growth Fund plc will be held at 2.30 p.m. on Thursday, 6 November 2008 at 31 Gresham Street, London EC2V 7QA to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 6 will be proposed as Ordinary Resolutions and resolutions 7 to 9 will be proposed as Special Resolutions.

1. To receive the Report of the Directors and the audited accounts for the year ended 31 July 2008.
2. To approve the Directors' Remuneration Report for the year ended 31 July 2008.
3. To re-elect Mr Peter Lyon as a Director of the Company.
4. To re-elect Mr Jan Kingzett as a Director of the Company.
5. To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company and to authorise the Board to determine their remuneration.
6. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:
"That the Directors be and are hereby generally and unconditionally authorised, in substitution for all subsisting authorities in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that Section) up to an aggregate nominal amount of £625,041 (representing 5% of the share capital in issue on 7 October 2008); and provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company but so that this authority shall enable the Company to make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry."
7. To consider and, if thought fit, to pass the following resolution as a special resolution:
"That, subject to the passing of resolution 6 set out above, the Directors be and they are hereby empowered, pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority given in accordance with Section 80 of the Act by the said resolution 6 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £625,041 (representing 5% of the aggregate nominal amount of the share capital in issue on 7 October 2008); and provided that this power shall expire on the date of the next Annual General Meeting of the Company, but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."
8. To consider and, if thought fit, to pass the following resolution as a special resolution:
"That the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Act, to make market purchases (within the meaning of section 163(3) of the Act) of Ordinary Shares of 10p each in the capital of the Company ("Shares"), at whatever discount the prevailing market price represents to the prevailing net asset value per share provided that:
 - (a) the maximum number of Shares hereby authorised to be purchased shall be 18,738,729, representing 14.99% of the issued share capital as at 7 October 2008;
 - (b) the minimum price which may be paid for a share is 10p;
 - (c) the maximum price which may be paid for a share is an amount equal to (i) 105% of the average of the middle market quotations for a share of the class being purchased taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is purchased and (ii) the higher of the price of the last independent trade in the shares of that class and the highest then current independent bid for the shares of that class on the London Stock Exchange;
 - (d) purchases may only be made pursuant to this authority if the Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to the net asset value;
 - (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed prior to such time; and
 - (f) 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".
9. To consider and, if thought fit, to pass the following resolution as a special resolution:
"That the document presented to the meeting and signed by the Chairman for the purposes of identification be and is hereby adopted as the Articles of Association of the Company in substitution for the existing Articles."

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Office:
31 Gresham Street
London EC2V 7QA

Registered Number: 2930057
7 October 2008

Explanatory Notes Including Principal Changes to the Company's Articles of Association

1. Copies of the proposed new Articles of Association detailing changes to the existing Articles of Association are available from the Company Secretary and will be on display at the registered office of the Company during normal business hours on any weekday (English public holidays excepted). They will also be available for inspection by any person attending the Annual General Meeting for at least 15 minutes prior to, and during, the Meeting.

The principal changes to the Articles of Association are as follows:

Articles which duplicate statutory provisions

Provisions in the Current Articles (as defined in the Chairman's Statement) which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles (as defined in the Chairman's Statement). This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. Examples include provisions as to the form of resolutions, the variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being removed as the concept of extraordinary resolutions has not been retained under the Companies Act 2006. Further, the remainder of the provision is reflected in full in the Companies Act 2006.

The Current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

Convening extraordinary and annual general meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being removed in the New Articles because the relevant matters are provided for in the Companies Act 2006. In particular an extraordinary general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

Votes of members

The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. The new Articles give the directors discretion, when calculating the time limits, to exclude weekend and bank holidays. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

Age of directors on appointment

The Current Articles contain a provision stating that where a general meeting is convened at which, to the knowledge of the board, a director is to be proposed for appointment or reappointment who is at the date of the meeting 70 or more, the board shall give notice of his age in the notice convening the meeting or in a document accompanying the notice. Such a provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the New Articles.

Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another investment trust (or other company) or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

Notice of board meetings

Under the Current Articles, when a director is abroad he can request that notice of directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad.

Explanatory Notes Including Principal Changes to the Company's Articles of Association

Records to be kept

The provision in the Current Articles requiring the Board to keep accounting records has been removed as this requirement is contained in the Companies Act 2006.

Distribution of assets otherwise than in cash

The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the Current Articles.

General

Generally the opportunity has been taken to bring clearer language into the New Articles.

2. Ordinary shareholders are entitled to attend and vote at the meeting and to appoint one or more proxies, who need not be a shareholder, as their proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting.

A proxy form is attached. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0871 384 2450 or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

The "Vote Withheld" option on the proxy form is provided to enable you to abstain on any particular resolution. However it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6GT, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting.

3. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of the rights of ordinary shareholders in relation to the appointment of proxies in note 2 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.
4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.00 p.m. on 4 November 2008, or 6.00 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.00 p.m. on 4 November 2008 shall be disregarded in determining the right of any person to attend and vote at the meeting.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (IDRA19) by the latest time for receipt of proxy appointments.
6. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.
7. The biographies of the Directors offering themselves for re-election are set out on the inside front cover of the Company's Annual Report and Accounts for the year ended 31 July 2008.
8. As at 7 October 2008, 125,008,200 ordinary shares of 10 pence were in issue. Accordingly, the total number of voting rights of the Company as at 7 October 2008 is 125,008,200.

Company Summary and Shareholder Information

The Company

Schroder Japan Growth Fund plc is an independent investment trust, whose shares are listed on the London Stock Exchange. As at 7 October 2008, the Company had 125,008,200 ordinary shares of 10p each in issue. The Company's assets are managed and it is administered by Schroders. The Company has, since its launch in 1994, measured its performance against the TSE First Section Total Return Index. The Company measures its performance on a total return basis.

It is not intended that the Company should have a limited life, but the Directors consider it desirable that the Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association of the Company contain provisions requiring the Directors to put a proposal for the continuation of the Company to Shareholders at the Company's Annual General Meeting in 2009 and thereafter at five yearly intervals.

Website and Price Information

The Company has launched a dedicated website, which may be found at www.schroderjapangrowthfund.com. The website has been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's share price (subject to a delay of 15 minutes) and copies of the Report and Accounts and other documents published by the Company as well as information on the Directors, Terms of Reference of Committees and other governance arrangements. In addition, the site contains links to announcements made by the Company to the market, Equiniti's shareview service and Schroders' website. There is also a section entitled "How to Invest" which provides details of the Schroder ISA and the Schroder Investment Trust Dealing Service.

The Company releases its Net Asset Value on both a cum and ex income basis to the market on a daily basis.

Share price information may also be found in the Financial Times and on Schroders' website at www.schroders.co.uk/its.

Registrar Services

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at PO Box 28448, Finance House, Orchard Brae, Edinburgh, Scotland EH4 1WQ. The helpline telephone number of Equiniti Registrars is 0871 384 2450. Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

Equiniti maintain a web-based enquiry service for shareholders. Currently the "Shareview" site (address below) contains information available on public registers.

Shareholders will be invited to enter their name, shareholder reference (account number) and post code and will be able to view information on their own holding. Visit www.shareview.co.uk for more details.

Association of Investment Companies

The Company is a member of the Association of Investment Companies. Further information on this association can be found on its website, www.theaic.co.uk.

www.schroderjapangrowthfund.com