

Schroders

Schroder Japan Growth
Fund plc

Annual Report and Accounts

For the year ended
31 July 2020



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 in sterling over the longer term.

Investment policy

The Manager utilises an active stock driven investment approach, drawing on Schrodgers' extensive research resources in Japan. The portfolio is principally invested in a broad range of companies quoted on the Tokyo Stock Exchange, the regional stock markets 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 are 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 is mainly 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 stock market.



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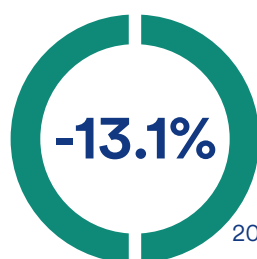
Financial Highlights

Some of the financial measures below are classified as Alternative Performance Measures, as defined by the European Securities and Markets Authority and are indicated with an asterisk (*). Definitions of these performance measures, and other terms used in this report, are given on page 60 together with supporting calculations where appropriate.

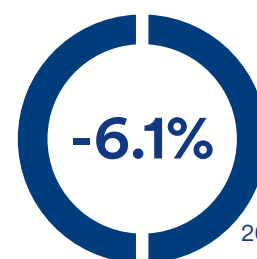
Total returns for the year ended 31 July 2020



**Net asset value
("NAV") per share
total return***



Share price total return*



Benchmark¹

¹Source: Thomson Reuters.

Other financial information

	31 July 2020	31 July 2019	% Change
Shareholders' funds (£'000)	236,128	273,812	(13.8)
NAV per share (pence)	189.24	219.04	(13.6)
Share price (pence)	161.50	190.50	(15.2)
Share price discount to NAV per share (%)*	14.7	13.0	
Gearing (%)*	13.3	12.3	

	Year ended 31 July 2020	Year ended 31 July 2019	% Change
Net revenue attributable to shareholders (£'000)	6,252	5,994	+4.3
Revenue return per share (pence)	5.00	4.79	+4.4
Dividend per share (pence)	4.90	4.70	+4.3
Ongoing Charges (%)*	0.92	1.03	

10 Year Financial Record

At 31 July	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total assets (£'000) ¹	154,331	150,301	193,027	202,254	243,135	270,783	310,493	333,130	318,944	279,365
Shareholders' funds (£'000)	130,654	125,785	172,908	173,455	212,101	226,688	269,304	292,268	273,812	236,128
NAV per share (pence)	104.52	100.62	138.32	138.75	169.67	181.34	215.43	233.80	219.04	189.24
Share price (pence)	92.88	86.00	124.50	123.75	158.75	162.00	195.00	212.00	190.50	161.50
Share price discount to NAV per share (%)	(11.1)	(14.5)	(10.0)	(10.8)	(6.4)	(10.7)	(9.5)	(9.3)	(13.0)	(14.7)
Gearing (%) ²	10.0	10.9	11.0	12.8	12.5	12.1	11.2	11.7	12.3	13.3

For the year ended 31 July	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net revenue after taxation (£'000)	911	1,365	2,354	2,401	2,693	3,898	4,522	5,106	5,994	6,252
Net return per share (pence)	0.73	1.09	1.88	1.92	2.15	3.12	3.62	4.08	4.79	5.00
Dividend per share (pence)	-	-	1.75	1.80	2.00	2.80	3.50	4.00	4.70	4.90
Ongoing charges (%) ³	1.49	1.42	1.45	1.36	1.09	1.11	1.00	1.00	1.03	0.92

Performance ⁴	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
NAV total return	100.0	113.6	109.4	150.4	152.8	189.4	205.0	246.9	272.1	259.5	229.1
Share price total return	100.0	118.7	109.9	159.1	160.4	208.8	215.9	264.2	292.1	267.5	232.5
Benchmark ⁵	100.0	108.4	100.6	129.8	129.5	152.5	176.3	206.0	226.1	228.2	214.4

¹Net assets plus borrowings used for investment purposes.

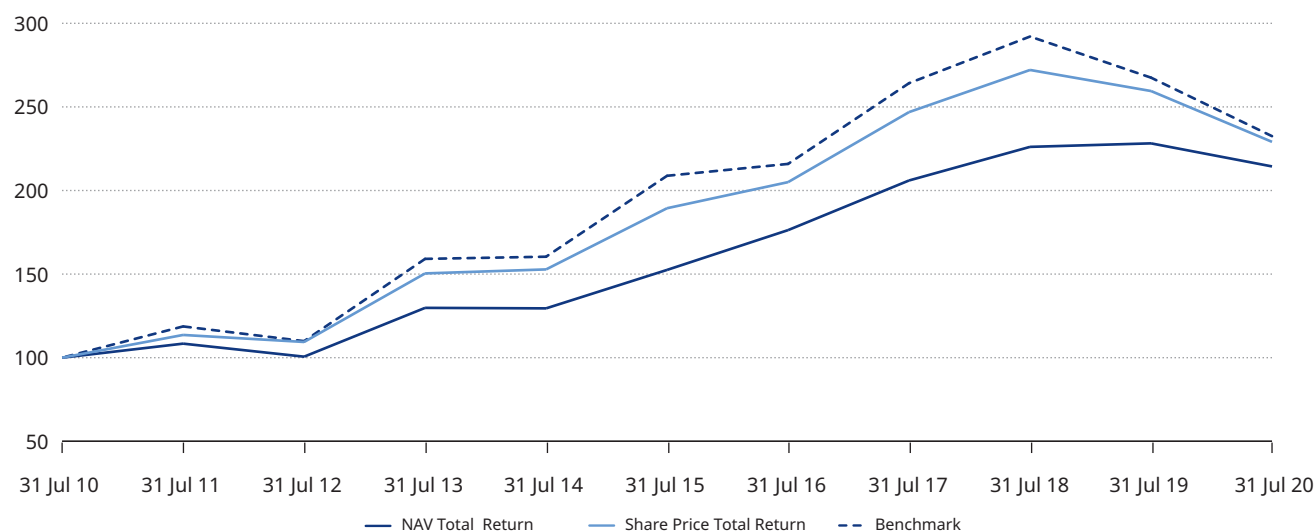
²Gearing represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

³Ongoing Charges represents the management fee and all other operating expenses excluding finance costs and transaction costs, expressed as a percentage of the average daily net asset values during the year. The figure for 2011 represents the expenses calculated as above, expressed as a percentage of the average month end net asset values during the year.

⁴Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 July 2010.

⁵The Company's Benchmark is the TSE First Section Total Return Index in sterling terms.

10 year NAV, share price and benchmark total returns to 31 July 2020



Chairman's Statement



Performance

It is disappointing to report another poor year of returns for shareholders. During the year ended 31 July 2020 the Company's net asset value ("NAV") underperformed the Benchmark, producing a negative total return of -11.7% compared with -6.1% produced by the Benchmark. The share price produced a negative total return of -13.1% over the same period. As further

detailed in the Manager's Review, the weakening of the yen, the COVID-19 pandemic, gearing and the Company's style bias towards value all affected the performance of the net asset value.

Schroders is an active manager and the positioning of the portfolio has resulted in under-performance against the Benchmark for the second year in a row. The board believes that Schroders has the expertise and resources to deliver long-term outperformance, however this has clearly not been the case for the last two financial years.

Investment in actively managed funds can result in periodic underperformance as investment styles can move in and out of favour, however in the longer term this level of under-performance is not acceptable. The board has engaged with the Manager and has resolved to bring forward a table of measures, described below, designed to create value for shareholders while giving the Manager the time and the opportunity to deliver the investment outperformance they believe their strategy can deliver.

Conditional tender offer

The board has reviewed the Company's performance, and the share price discount to NAV, and has consulted with the Company's advisers and its largest shareholders. The directors believe that the long-term outlook for Japan is favourable, and that the Manager has the resources to deliver favourable outperformance against the Company's Benchmark in view of its deep resources in both London and Japan. Whilst the Manager's investment style has been out of favour, the directors do not believe that it would be appropriate to change this style to a material degree at this point in the cycle. However, the board feels that it is also important to support investors with a structure that allows for a partial return of capital in the event that performance falls short of expectations over the next few years.

Accordingly, the directors have agreed that, should the Company not deliver net asset value total return performance of at least 2% per annum above the Benchmark over the next four financial years, starting on 1 August 2020 and ending on 31 July 2024, the board will put forward to shareholders proposals for a tender offer of up to 25% of the issued share capital at a price equal to the then prevailing net asset value less costs. This would be contingent upon the next continuation vote of the Company, at the AGM in November 2024, being successful.

Discount control and purchase of shares for cancellation

During the year under review, the Company began to purchase shares for cancellation as part of its wider package of measures to address the discount of the share price to net asset value. A total of 231,500 shares were purchased for cancellation during the year, and a further 170,666 shares have been purchased since the end of the year. The average discount for the year was 14.4%, widening from 13.0% at the start of the year to 14.7% at the end of the year.

The board will be seeking to renew the share buy-back authority granted at the Company's AGM in November 2019 to purchase up to 14.99% of the Company's issued share capital for cancellation.

The board believes that the share buyback facility will be utilised more extensively over the coming months. The Company's discount to NAV is approximately 16%. Repurchasing shares at such discounts creates significant excess return for all shareholders and also improves liquidity.

Management fee

As initially announced in October 2019, during the year the board engaged with the Manager on the level of management fees and agreed that the management fee would be charged on net assets, which does not include any cash which has been borrowed for investment purposes. This change has significantly reduced costs to shareholders and the ongoing charges figures has reduced from 1.03% in the previous year to 0.92% for the year ended 31 July 2020.

In addition, the board has agreed with the Manager that the notice period under the AIFM agreement should be amended to reflect current market rates, and with effect from the start of the current financial year on 1 August 2020, the notice period will be reduced to 6 months.

Gearing

The Company continues to maintain a term loan and credit facility, as detailed in the notes to the accounts. The average gearing level was 12.3%, although the gearing level increased slightly beginning and ending the year at 12.3% and 13.3%, respectively. This had a small negative effect on performance. The Company's gearing continues to operate within pre-agreed limits so that net effective gearing does not represent more than 25% of shareholders' funds.

Revenue and dividend

Revenue per share increased during the year, from 4.79p to 5.00p, reflecting the fact that many Japanese companies, unlike in various other parts of the world, continued to pay and in some cases increase their dividends, despite the pandemic. Taking this into consideration, the directors have declared a final dividend for the year ended 31 July 2020 of 4.9p per share, representing an increase of 4.3% over the final dividend paid in 2019. This dividend will be paid on 26 November 2020 to shareholders on the register on 6 November 2020 subject to approval by shareholders at the Annual General Meeting ("AGM") on 23 November 2020.

Chairman's Statement

COVID-19

As noted in the Company's half year report, the COVID-19 pandemic has had profound impact on the world. The effects on the Company are detailed in the Manager's Report, the board's consideration of risk, going concern and viability in the Strategic Report, and in the Audit and Risk Committee Report. The board has been reassured to note that the Manager and other service providers have been able to operate on a business as usual basis, with some adaptations, despite the restrictions and guidelines set by government.

Outlook

There have been few moments to enjoy in the last 12 months. There has obviously been the pandemic, but also our share price has fallen for the second year in a row, and since the year end Prime Minister Abe, the man most associated with the long attempt to transform the Japanese economy, has stepped down. Many of the portfolio holdings have demonstrated all the resilience we would hope for during the global lockdown (Japan itself has been less affected, but many of its export markets clearly have been), but the attention of the stock market has been elsewhere.

Closing the discount at which the trust trades offers significant potential upside to shareholders. It is the board's view that such discounts reflect a lack of demand for the company's shares which reflects the poor investment performance of the Company and the limited appetite of investors for Japan as a market. The board and the Manager believe that better relative performance, of the scale envisaged in the tender condition offers the prospect of a narrower discount. Should it become apparent that such outperformance is not possible, the board will consider taking other measures to preserve shareholder value before the end of the performance period.

I have mentioned our plans to seek to improve the discount that our own shares trade on, but behind this is the belief that the portfolio holdings will recover. The portfolio has been under the new portfolio manager for just over a year and we have every expectation that outperformance against the Benchmark can be delivered. We take comfort from the Manager's confidence that the Company's portfolio looks cheap relative to the rest of the market, and that investor attention will broaden to see that value. The pandemic has introduced a new degree of uncertainty, but the board remains optimistic in the long-term future of your Company.

The AGM and shareholder engagement

The AGM will be held at 12.00 pm on Monday, 23 November 2020. Due to the continuing restrictions relating to meetings due to the COVID-19 pandemic, shareholders are asked to cast their votes by proxy. To ensure the safety and security of our shareholders, service providers, officers and guests, shareholders will not be able to attend the meeting in person.

The Manager will be presenting at a webinar on 23 November at 1.00 p.m. and all shareholders are encouraged to sign up on the Company's website, to hear the portfolio manager's view, and to ask questions. Shareholders can also sign up using this link:

https://www.brighttalk.com/webcast/1184/448611?utm_source=SchroderInvestmentsLimited&utm_medium=brighttalk&utm_campaign=448611.

In addition, the board would like shareholders to get in touch via the Company Secretary with any questions or comments, so that the board can answer them in advance of the AGM. The board will be providing answers to commonly asked questions on the Company's webpages, as well as the answers to questions received from shareholders before the AGM. To email, please use: amcompanysecretary@schroders.com or write to us at the Company's registered office address (Company Secretary, Schroder Japan Growth Fund plc, 1 London Wall Place, London EC2Y 5AU).

For regular news about the trust, shareholders are also encouraged to sign up to the Manager's investment trusts update by visiting the Company's website <https://www.schroders.com/en/uk/private-investor/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/never-miss-an-update/>

Anja Balfour

Chairman

20 October 2020

Manager's Review

Market background

The Company's NAV total return for the year to the end of July was -11.7%, which underperformed the Benchmark total return of -6.1% (source: Morningstar, net of fees in GBP). Even allowing for an extraordinary economic and market environment, this is a disappointing performance.

In yen terms the market declined by just 1.9% across the 12 month period, but there was a weakening of the yen which led to a lower return for the market in sterling terms. However, these relatively small overall moves disguise the huge dislocations seen in both equity and currency markets in February and March at the height of the COVID-19 pandemic.

Within Japan's negative interest rate environment, defensive sectors, with steady growth rates, continued to perform relatively well in the first half of the period and these trends accelerated dramatically in February and March triggered by the initial global spread of COVID-19. At the same time, economically sensitive, or cyclical, areas and stocks with low valuations fell more sharply than the overall market.

Portfolio performance

The Company's bottom-up stock picking approach typically results in a moderate bias towards an overall "Value" style (emphasising stocks on below-average valuations). This has generated a headwind for the Company's relative performance throughout the period. This was especially true during the market sell-off in the first quarter of 2020, with the main performance impact occurring in March. Overall market trends in this period were clearly exacerbated by the global spread of COVID-19, and this provided some additional negative impact for the portfolio performance. While few companies could escape a significant earnings impact from the unprecedented speed of the economic downturn, this factor alone did not have a disproportionate impact on the Company's holdings. Indeed many of the Company's holdings reported positive earnings surprises in the quarter to June, although these were not necessarily reflected in stock valuations.

Net gearing in the Company was 13.3% at the end of July 2020, having generally been in the range of 11-14% during the previous 12 months. Since the market showed only a small negative return in yen, the overall impact of the gearing was fairly modest for the year, but there was a more significant negative impact during the market sell-off in February and March.

There were also negative contributions from both sector allocation and stock selection, but there were few large stock contributions. Instead, the bulk of the underperformance was generated from small negative contributions from a wide range of stocks, reflecting our view that style characteristics, rather than stock-specific factors, have continued to have a disproportionate influence on relative performance in this period. Elsewhere in the market, a relatively narrow range of stocks continued to see strong momentum, which has pushed valuations to further extremes.

Among individual stocks in the portfolio, the largest negative contribution came from Sankyu, a specialist in logistics and plant engineering. The stock underperformed from February to end-July, on fears that order flow from industrial clients could decline in the short term due to the sudden economic slowdown. Mitsui Fudosan, a major property developer, also had a negative impact on performance but, in this case, the underperformance was more concentrated in March as investors moved to discount the impact of COVID-19 related social restrictions on the company's hotel and leasing businesses.

The strong momentum seen in a relatively narrow range of stocks continues to generate unusual attribution results for the portfolio, with relatively large contributions coming from stocks that are not held. This was again evident in the 12 months to July, with both Sony and Keyence among the largest negative contributors, despite not being held in the Company. While we recognize the quality in these stocks we do not believe their current valuations justifies inclusion in the Company.

Some of these negative influences were offset by the strong performance of TDK, a major electronic component supplier. Having been sold off sharply in March, the stock price subsequently recovered and there was a particularly strong move on the last day of July when the company released robust quarterly earnings. These results were driven partly by demand for high-value batteries for notebooks and tablets, as a result of changes in consumer behaviour driven by COVID-19.

There was also a positive contribution from SMC, which produces precision pneumatic equipment used, in particular, in factory automation. The stock price fell by far less than the market in March and has continued to perform strongly since.

Stock selection impact – 12 months to 31 July 2020

Five largest contributors

	Portfolio weight (%)	Load difference (%)	Absolute performance (%)	Impact (%)
TDK	2.4	+2.2	+34.8	+0.7
SMC	2.5	+1.8	+33.5	+0.6
Disco	2.5	+2.3	+21.6	+0.6
Pan Pacific	1.4	+1.2	+33.0	+0.5
Asahi Holdings	0.3	+0.3	+63.4	+0.4

Manager's Review

Five largest detractors

	Portfolio weight (%)	Load difference (%)	Absolute performance (%)	Impact (%)
Sankyu	2.3	+2.3	-39.0	-0.9
Sony	0.0	-2.0	+26.3	-0.6
Mitsui Fudosan	1.8	+1.2	-34.8	-0.5
Keyence	0.0	-1.6	+34.8	-0.5
East Japan Railway	2.2	-2.9	-40.8	-0.5

Source: Schroders using FactSet. Contributions are indicative as FactSet uses unaudited data. Stock weights are average over the period and returns are in GBP.

Activity

During the year we sold some positions where our level of conviction had been reduced. These included IHI, a heavy machinery maker, and Central Japan Railway, both of which we see being driven primarily by the economic cycle. Most recently we have also taken decisions where our long-term views have been materially altered by the changes in consumer behaviour sparked by the pandemic. As a result, both Japan Air Lines and H2O, a department store operator, have been sold.

We continue to find particularly attractive opportunities in mid and small cap stocks. Fukushima Galilei, which supplies commercial refrigeration units, and Asahi Holdings, a specialist recycler of precious metals, have both been added to the portfolio recently.

Overall, the number of holdings has been reduced to 71 from 85 during the year, with an emphasis on higher weightings in stocks where we have the greatest conviction.

Outlook

Shinzo Abe announced his resignation as prime minister of Japan on 30 August, due to the resurgence of a long-standing health problem, just four days after he recorded the longest continuous term of any Japanese prime minister. Although Mr Abe's health has clearly deteriorated, his popularity has also recently declined, primarily due to his handling of Japan's response to the pandemic. As a result the approval rate for the current cabinet had fallen to 35%, the lowest level since Mr Abe came to power in 2012, although still above the 30% level at which Japanese leaders generally become untenable.

Despite the public's very poor perception of the authorities' response, Japan's virus data, both in terms of incidence and mortality, remains significantly better than most other developed countries. In recent weeks, an uptick in new infections cases, albeit from a very low base, has led to further criticism of perceived policy inconsistencies.

Even prior to Mr Abe's announcement, expectations on the political timetable were already complicated by the pandemic and the postponement of the Tokyo Olympics to July/August 2021, just ahead of the next general election which is due in October 2021. Nevertheless, the precise timing of the announcement surprised us.

In the event, the LDP opted for the simplest method to elect their next party president. Yoshihide Suga, the Chief Cabinet Secretary, duly won the leadership election on 14 September. His position as the new prime minister was then confirmed in a special Diet session on 16 September.

We recognise that the change in political leadership may cause some short-term nervousness in financial markets, especially among foreign investors, as Mr Abe has been so closely identified with his government's economic plans under the banner of "Abenomics". There may be additional uncertainty if Mr Suga decides to call an early general election to reinforce his position with a stronger mandate.

In reality, since Mr Suga has been a staunch supporter of Mr Abe throughout his tenure, and since the LDP remain the dominant party, we would expect little to change. In fact, this may be a good opportunity for a new leader to refresh the cabinet and refocus the pandemic response.

Mr Suga may provide some differences in emphasis on the various structural reform programmes underway but, overall, we would expect continuity of fiscal policy. This is particularly true at present, since fiscal policy remains at the forefront of the pandemic response for all countries.

We would also expect that monetary policy, under Bank of Japan Governor Haruhiko Kuroda, will continue unchanged. However, we must acknowledge that the close association between Mr Abe and Mr Kuroda, and the consequent policy coordination, may be harder to replicate for any new prime minister.

One other feature of Mr Abe's tenure has been a relatively stable relationship with the current leaders of both the US and China, despite the escalating tension between those two countries. We will watch closely whether Mr Suga can adopt a similar stance, especially as we approach the US presidential election.

Overall, we feel that the departure of Mr Abe should not distract investors from other positive factors, including structural improvements in corporate governance, profitability and return on equity. Japan has outperformed many other countries in dealing with the virus so far, but in our view these positives are yet to be reflected in share prices. However, with equity market valuations at reasonable levels, short-term sentiment could still be driven primarily by data on domestic and global virus incidence, and any renewed restrictions on economic activity.

Manager's Review

Policy

Although it is often tempting to be carried along with short-term news and momentum in particular stocks, differences in stock performance must ultimately be driven by companies' underlying earnings performance and valuations, and we remain absolutely focused on these factors. This is especially true this year as a relatively small group of stocks have continued to lead the market while many stocks that we already regarded as undervalued actually suffered most in the virus-driven sell-off in the first quarter.

Our internal research continues to produce a number of opportunities in exciting companies on cheap valuations, from which we aim to generate outperformance without taking large 'style' positions. Ongoing portfolio changes in the last 12 months have been incrementally positive and did mitigate some of the underperformance when 'value' stocks fell sharply this year.

Environmental, Social and Governance ("ESG") factors and sustainability issues continue to lie at the heart of our research on Japanese companies, which also incorporates input from our dedicated Sustainable Investment Team in London. We explicitly consider ESG factors across our investment universe in Japan, without making any specific exclusions in particular sectors.

However, in specific cases, we can maintain a medium-term holding in a company with an initial weaker ESG position, if we are actively engaging with the company's management to help drive the desired change. For example, SMC, a pneumatic equipment maker, tends to be rated poorly by the third-party ESG providers largely due to their poor governance scores. We have a similar view and therefore apply a valuation discount on governance for this company within our valuation framework. However, through our ongoing engagement with the company, we have seen positive changes in the management driving better governance, including improved shareholder remuneration, financial disclosures and balance sheet management. On this basis we continue to view SMC as an appropriate investment, despite its superficially weak ESG rating.

Conclusion

Overall, we believe the Company remains well placed for a more typical valuation-driven environment, and therefore anticipate no change in the strategy. While we must acknowledge the impact of our style biases, we are not relying on a simple reversal of style factors to drive future performance. Instead, our research team's access to company management continues to generate ideas for investment in individual stocks and insights into changes in corporate behaviour and governance. All our company meetings are now being conducted online rather than face-to-face, but we do not feel this has led to any overall deterioration in our ability to access company management. Within the market we are now seeing increasing opportunities in mid and small-cap stocks, in particular, which has historically been an area that has added value to performance. The gearing currently is 12.0%, a level

that reflects both the number of opportunities we see in the market and our confidence in the outlook for the portfolio.

Sector positions vs. Benchmark as at 31 July 2020

Portfolio weight (%)		Load difference (%)
11.9	Precision Instruments	9.3
5.4	Construction	3.0
8.3	Machinery	2.9
7.0	Wholesale Trade	2.5
1.6	Other Financing Business	0.5
6.0	Pharmaceutical	-0.9
3.4	Banks	-1.4
3.6	Services	-1.6
1.7	Foods	-2.1
9.3	Electric Appliances	-6.5

Source: Schroders

Schroder Investment Management Limited 20 October 2020

Securities named are for illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Investment Portfolio As at 31 July 2020

Stocks in bold are the 20 largest investments, which by value account for 49.3% (2019: 50.6%) of total investments. All investments are equities.

	£'000	%
Precision Instruments		
SMC	8,557	3.2
Hoya	7,655	2.9
Murata	5,932	2.2
Shimadzu	4,502	1.7
Enplas	1,418	0.5
Total Precision Instruments	28,064	10.5
Information and Communication		
Nippon Telegraph and Telephone	9,150	3.4
KDDI	7,365	2.7
Otsuka	4,446	1.7
Digital Garage	2,544	0.9
Total Information and Communication	23,505	8.7
Electrical Appliances		
TDK	6,560	2.4
Hitachi	5,723	2.1
Ibiden	4,329	1.6
Koito Manufacturing	3,232	1.2
Nihon Kohden	2,532	0.9
Total Electrical Appliances	22,376	8.2
Machinery		
Disco	7,234	2.7
Nichias	2,886	1.1
Hosokawa Micron	2,503	0.9
Glory	2,330	0.9
Nabtesco	1,972	0.7
Rheon Automatic Machinery	1,815	0.7
NGK Spark Plug	694	0.3
Total Machinery	19,434	7.3
Chemicals		
JSR	3,396	1.3
Sekisui Chemical	3,283	1.2
Nippon Soda	3,139	1.2
NOF	3,075	1.1
Kureha Chemical	2,609	1.0
Aica Kogyo	1,844	0.7
SK Kaken	1,351	0.5
Total Chemicals	18,697	7.0

	£'000	%
Wholesale Trade		
Itochu	4,583	1.8
Mitsui & Co.	4,154	1.5
Trusco Nakayama	3,199	1.2
Fukushima Galilei	2,422	0.9
Fuji Oil	2,203	0.8
Total Wholesale Trade	16,561	6.2
Transportation Equipment		
Toyota Motor	11,155	4.2
Isuzu Motors	2,674	1.0
Toyota Industries	1,856	0.7
Hi-Lex	814	0.3
Total Transportation Equipment	16,499	6.2
Retail Trade		
Pan Pacific	6,087	2.3
Paltac	4,116	1.5
Seven & I Holdings	3,806	1.4
AT Group	1,601	0.6
Nafco	693	0.3
SRA Holdings	150	0.1
Total Retail Trade	16,453	6.2
Pharmaceutical		
Takeda Pharmaceutical	5,691	2.1
Santen Pharmaceutical	5,434	2.0
Ship Healthcare	3,228	1.2
Total Pharmaceutical	14,353	5.3
Construction		
Taisei	3,658	1.4
Daiwa House	3,471	1.3
Nippon Densetsu Kogyo	2,806	1.0
JGC	1,928	0.7
Sanki Engineering	1,157	0.4
Total Construction	13,020	4.8

Investment Portfolio

As at 31 July 2020

	£'000	%
Land Transportation		
Sankyu	4,435	1.7
Hitachi Transport System	4,342	1.7
East Japan Railway	3,533	1.3
Total Land Transportation	12,310	4.7
Securities and Commodity		
Nomura Research Institute	5,685	2.1
Orix	4,010	1.5
Total Securities and Commodity	9,695	3.6
Insurance		
Tokio Marine	6,728	2.5
T&D Holdings	2,554	1.0
Total Insurance	9,282	3.5
Services		
Recruit Holdings	6,910	2.6
Japan Post	1,609	0.6
Total Services	8,519	3.2
Banks		
Sumitomo Mitsui Financial	7,964	3.0
Total Banks	7,964	3.0
Real Estate		
Mitsui Fudosan	4,674	1.7
Park24	712	0.3
Total Real Estate	5,386	2.0

	£'000	%
Non-Ferrous Metals		
Asahi Holdings	4,193	1.6
Total Non-Ferrous Metals	4,193	1.6
Foods		
Asahi Breweries	4,054	1.5
Total Foods	4,054	1.5
Other Financing Business		
Hitachi Capital	3,849	1.4
Total Other Financing Business	3,849	1.4
Other Products		
Bandai Namco	3,773	1.4
Total Other Products	3,773	1.4
Rubber Products		
Bridgestone	2,695	1.0
Total Rubber Products	2,695	1.0
Electric Power and Gas		
Metawater	2,577	1.0
Total Electric Power and Gas	2,577	1.0
Oil and Coal products		
Eneos	2,500	0.9
Total Oil and Coal products	2,500	0.9
Glass and Ceramics		
AGC	2,321	0.8
Total Glass and Ceramics	2,321	0.8
Total investments	268,080	100.0

Strategic Report

The Strategic Report sets out the Company's strategy for delivering the investment objective (set out on the inside front cover), the business model, the risks involved and how the board manages and mitigates those risks. It also details the Company's purpose, values and culture, and how it interacts with stakeholders.



Business model

The board has appointed the Manager, Schroder Unit Trusts Limited, to implement the investment strategy and to manage the Company's assets in line with the appropriate restrictions placed on it by the board, including limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, cash, derivatives and other financial instruments as appropriate. The terms of the appointment are described more completely in the Directors' Report. The Manager also promotes the Company using its sales and marketing teams. The board and Manager work together to deliver the Company's investment objective, as demonstrated in the diagram above. The investment and promotion processes set out in the diagram are described in more detail above.

Investment

Investment process – an overview

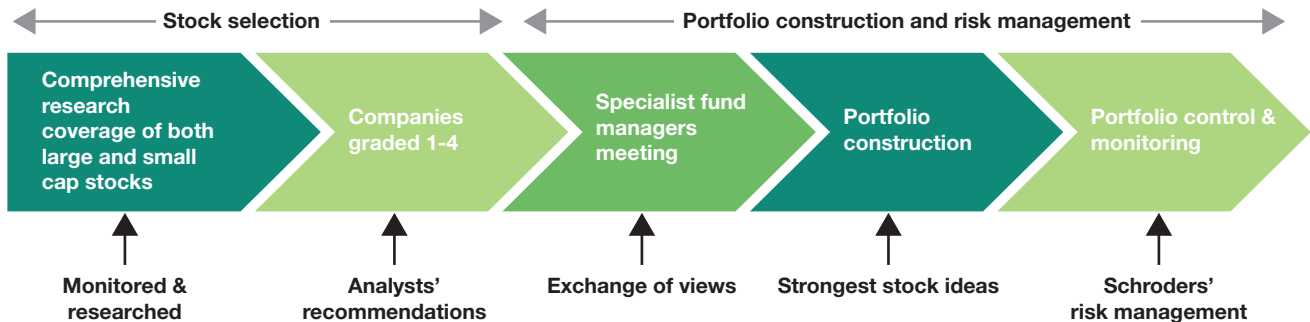
The Manager's Japanese equity investment philosophy is based on the belief that a competitive advantage can be gained from in-house research which should translate into superior investment performance through disciplined portfolio construction.

The research focuses on long-term value creation and strength of franchise, targeting undervalued companies where the long-term growth prospects are not fully priced in. The Manager prefers companies that can generate and sustain above average returns on their capital, and also looks for opportunities in turnaround situations where companies can improve returns from depressed levels.

The Manager uses a disciplined approach to managing the portfolio. It has a repeatable process that starts with research and portfolio construction, and is supported by ongoing monitoring and portfolio control. The research is based on an intensive programme of company meetings: over 2,400 a year.

Strategic Report

Disciplined and repeatable approach



The portfolio manager is Masaki Taketsume. Mr Taketsume has been part of Schroders since 2007. Whilst he is currently based in London, he relies heavily on the in-house research team in Tokyo. Being based in London gives the portfolio manager the best of both worlds: access to an experienced group of specialists in Japan and exposure to broader investment input in London.

Management of the portfolio is “bottom up” and long-term: the screening process begins with fundamental company analysis rather than shorter term macroeconomic impacts like changes in exchange rates. Given the long-term approach, portfolio turnover tends to be low. A stock will not be bought unless the Manager has met the management of the company concerned. Risk monitoring tools check that the bottom-up approach is on track.

Portfolio construction

An important part of the portfolio construction process is regular meetings to debate and receive peer group challenge. These meetings provide a forum to discuss and debate investment views and strategy, together with stock positions and stock ideas, and importantly, serve to ensure vigorous debate.

Portfolio construction for the Company is then the responsibility of the portfolio manager. His focus is on the highest conviction stock ideas within the context of an appropriate risk management framework, while also setting, in conjunction with the board, the gearing of the portfolio.

Strategic Report

Integration of ESG into the investment process

Sustainability at Schroders

A continually evolving approach



'Issues such as climate change, resource scarcity, population growth and corporate failure have put responsible investment at the forefront of investors' minds. We believe that companies with a strong environmental, social and governance ethos tend to deliver better results for our clients.'

Peter Harrison, Group Chief Executive, Schroders plc

Source: Schroders, September 2020. ¹Carbon Disclosure Project. ²UN Principles for Responsible Investing. ³Sustainable Multi-Factor Equity.

Schroders has been considering Environmental, Social and Governance (“ESG”) issues, and sustainability generally, for over 20 years, as detailed in the timeline above. Schroders has a team of 20 dedicated ESG analysts within its Sustainable Investment Team, based in London. They analyse long-term trends and implications around sustainability and how this is likely to affect different industries and stakeholders. The team operates as a central resource to both disseminate trends and analysis to the rest of the group and also provides training and input to the Manager’s Japan equity analysts when they are undertaking their sustainability work as part of their industry and company research. Schroders uses research on sustainability to make more complete and informed investment decisions.

The Manager embeds this thinking on sustainability and ESG issues into the process for Japanese stock research and portfolio construction for the Fund.

Idea generation is driven by bottom-up, internal research produced by the Manager’s analysts based in Tokyo. Investment views are structured around a long-term assessment of quality and, central to this is an opinion on the sustainability of a company’s business model. Meetings with management are the bedrock of this research process and ESG factors are integrated throughout. These views are explicitly quantified by each analyst within the proprietary Fair Value Model for each stock under coverage. By forming a structural element within the Fair Value model, the positive and negative scoring applied to ESG factors contributes symmetrically to the Fund Manager’s views of both downside risk and upside potential for each stock.

Within the Japanese equity market, where disclosure and analysis of ESG issues is relatively new, it is critically important to identify, and differentiate between, early signs of positive change, even if some of these still appear modest in comparison to other developed markets. By identifying strengths,

weaknesses and changes in these areas, especially in governance, the Manager can materially strengthen their understanding of companies and improve investment decisions.

ESG factors rank alongside other criteria for assessing the Manager’s view of a company’s fair value. As a result, provided there are no “red flags” which would prohibit investment, it is still possible for some companies with weaker ESG scores to be included in the portfolio, if other factors are sufficiently positive. In practice, however, the Company would only take such a position if the Manager also saw scope for the company to improve its ESG position. For some individual stocks, such as tobacco companies, the Manager’s views are strongly influenced by consideration of social externalities and regulatory risk, and it is increasingly unlikely that any new investment would be made in these areas.

Schroders aims to continuously evolve and improve the investment approach to ensure that these processes remain forward-looking, especially in relation to ESG factors. The introduction of the Japanese Stewardship Code in 2014 and the Corporate Governance Code in 2015, together with subsequent revisions, has underlined the Japanese authorities’ desire to drive improvements in corporate governance. Schroders’ Japanese office became a signatory to the Japanese Stewardship Code in 2014 and in 2015, established a Stewardship Committee to engage with companies on their ESG activities with the aim of encouraging best practice and influencing change over time. The Manager’s commitment to stewardship and corporate governance is evident in company research and in the debate that takes place both internally and when interacting with company management. Looking forward, further regulation on ESG disclosures is expected in Japan and the Manager has already begun proactively engaging with companies on these issues.

Strategic Report

The Manager's local Stewardship Committee is also responsible for all proxy voting and will discuss any contentious items with the relevant internal parties. The committee members are also in regular contact with the proxy voting team in London, to ensure that views are aligned and that consistent messages are being sent to companies. All voting records are disclosed as required by the 2017 revision of Japan's Stewardship Code.

Engagement at work

An example of how this works, to show the potential benefit to the Company as a shareholder, has been the holding in Takeda. The Manager voted in favour of proposals from outside shareholders on disclosure of executive compensation and the introduction of clawback provisions in 2019. The Manager felt the disclosure represented an incremental improvement in governance, while the clawbacks provided appropriate incentives. However, the Company voted against a proposal from the company regarding stock-based compensation for directors, as it was unclear what indicators would be used to measure the results. We want management to have the same goals as us: in these two cases we were not given sufficient information to tell if this was the case.

Following this, a meeting was arranged with the CEO, to discuss these issues and other areas for improvement. There have since been improvements and the CEO has suggested a follow-up meeting with the independent director who chairs Takeda's compensation committee.

The future

While Environmental and Social factors are an important part of the analysis, the Manager currently places most weight on the assessment of a company's governance and shareholder returns. In recent years the particular emphasis has been on sustainable improvements to return on equity and enhanced shareholder focus, where tangible results have been seen. Progress in these areas will increasingly be linked to whether a company also has the ability to adapt to the increasing risks from specific Environmental and Social factors, such as climate change and data security, as well as being able to demonstrate this clearly to stakeholders.

Investment restrictions and spread of investment risk

The key restrictions imposed on the Manager are that: a) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one 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) the Company will not invest more than 15% of its gross assets in other listed investment companies or investment trusts; d) no more than 15% of the Company's total net assets may be invested in open-ended funds; and e) 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.

In accordance with the investment objective, the Company, while being invested in a single country, ensures that the objective of spreading risk has been achieved through portfolio diversification (71 investments spread over 24 sectors at 31 July 2020).

Promotion

The Company promotes its shares to a broad range of investors who have the potential to be long-term supporters of the investment strategy. The Company seeks to achieve this through its Manager and corporate broker, which promote the shares of the Company through regular contact with both current and potential shareholders.

Promotion is focused via three channels:

- Discretionary fund managers. The Manager promotes the Company via both London and regional teams. This market is the largest channel by a significant margin.
- Execution-only investors. The Company promotes its shares via engaging with platforms and through its website. Volume is smaller but platforms have experienced strong growth in recent times and are an important focus for the Manager.
- Institutional investors.

These activities consist of investor lunches, one-on-one meetings, regional road shows and attendances at conferences for professional investors. In addition, the Company's shares are supported by the Manager's wider marketing of investment companies targeted at all types of investors; this includes maintaining close relationships with adviser and execution-only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on Schroders' website. The board actively engages with investors and meetings with the Chairman are offered to professional investors where appropriate. Investors are also encouraged to sign up to the Manager's investment trusts update to receive updates on the Company. Details are provided in the Chairman's Statement.

Details of the board's approach to discount management and share issuance may be found in the Chairman's Statement on page 4 and in the Annual General Meeting – Recommendations on page 56.

Key performance indicator – the investment objective

The board measures the development and success of the Company's business through achievement of the Company's investment objective which is considered to be the most significant key performance indicator for the Company. Comment on performance against the investment objective can be found in the Chairman's Statement.

The board continues to review the Company's Ongoing Charges to ensure that the total costs incurred by shareholders in the running of the Company remain competitive when measured against peer group funds. An analysis of the Company's costs, including management fees, directors' fees and general expenses, is submitted to each board meeting. Management fees are reviewed at least annually.

Purpose, Values and Culture

The Company's purpose is to create long-term shareholder value.

Strategic Report

The Company's culture is driven by its values: Transparency, Engagement and Rigour, with collegial behaviour and constructive, robust challenge. The values are all centred on achieving returns for shareholders in line with the Company's investment objective. The board also promotes the effective management or mitigation of the risks faced by the Company and, to the extent it does not conflict with the investment objective, aims to structure the Company's operations with regard to all its stakeholders and take account of the impact of the Company's operations on the environment and community.

As the Company has no employees and acts through its service providers, its culture is represented by the values and behaviour of the board and third parties to which it delegates. The board aims to fulfill the Company's investment objective by encouraging a culture of constructive challenge with all key suppliers and openness with all stakeholders. The board is responsible for embedding the Company's culture in the Company's operations.

The board recognises the Company's responsibilities with respect to corporate and social responsibility and engages with its outsourced service providers to safeguard the Company's interests. As part of this ongoing monitoring, the directors receive reporting from its service providers with respect to their anti-bribery and corruption policies; Modern Slavery Act 2015 statements; diversity policies; and greenhouse gas and energy usage reporting. The management engagement committee reviews the Company's service providers. Its report is on page 26.

Corporate and Social Responsibility

Diversity

As at 31 July 2020, the board comprised two men and two women. The board has adopted a diversity and inclusion policy. With respect to recruitment of non-executive directors, the Company will not discriminate on the grounds of gender, social and ethnic backgrounds or cognitive and personal strengths. It will encourage any recruitment agencies it engages to find a diverse range of candidates that meet the objective criteria agreed for each appointment. Appointments will always be based on merit. Candidates for board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall board taking into account the criteria for the role being offered.

Bribery and corruption

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery and corruption policy, as well as seeking confirmations that the Company's service providers' policies are operating soundly.

Greenhouse gas emissions and energy usage

As the Company outsources its operations to third parties, it has no significant greenhouse gas emissions and energy usage to report.

Relations with shareholders

Shareholder relations are given high priority by both the board and the Manager. The Company communicates with shareholders through its webpages and the annual and half year reports which aim to provide shareholders with a clear understanding of the Company's activities and its results.

In addition to the engagement and meetings held during the year described in Promotion on page 14, the chairs of the board and committees and the other directors usually attend the AGM and are available to respond to queries and concerns from shareholders.

Responsible investment

The Company delegates to its Manager the responsibility for taking environmental, social and governance ("ESG") issues into account when assessing the selection, retention and realisation of investments. The board expects the Manager to engage with investee companies on social, environmental and business ethics issues and to promote best practice. The board expects the Manager to exercise the Company's voting rights in consideration of these issues.

In addition to the description of the Manager's integration of ESG into the investment process and the details in the Managers' Review, a description of the Manager's policy and its engagement with investee companies on these matters, can be found on the Schroders website at www.schroders.com/ri.

The board notes that Schroders believes that companies with good ESG management often perform better and deliver superior returns over time. Engaging with companies to understand how they approach ESG management is an integral part of the investment process. Schroders is compliant with the UK Stewardship Code and its compliance with the principles therein is reported on its website.

The board has received reporting from the Manager on the application of its policy.

The board's commitment to stakeholders - section 172 Companies Act 2006 statement

The board has identified its key stakeholders as the Company's shareholders and service providers. The board notes the Company has no employees and the impact of its own operations on the environment and local community is through the impact its service providers have.

Engagement with key stakeholders assists the board in meeting the obligation for directors to act in a way that promotes the success of the Company, taking into account their interests. This statement outlines this engagement and the impact on decision-making where appropriate, and cross-refers to the decisions made by the board during the year, detailed elsewhere in this report.

As detailed in "Promotion" on page 14 and Relations with Shareholders on page 15, the Company engages with its shareholders. The board considered feedback by shareholders when making decisions relating to share buybacks, the dividend and review of board composition. As detailed in the Chairman's Statement the board also engaged with shareholders with respect to the conditional tender offer.

As detailed in "Purpose, Values and Culture" on page 14, the board engages with service providers, and receives regular reporting, either directly, or through the Manager or Company Secretary, on performance and other matters. The effect of such engagement, if relevant, is detailed in the Chairman's Statement, Managers' Review, Audit and Risk Committee Report and Management Engagement Committee Report.

Strategic Report

Principal risks and uncertainties

The board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the audit and risk committee on an ongoing basis. This system assists the board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal risks and the monitoring system are also subject to robust assessment at least annually. The last assessment took place in September 2020.

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.

Actions taken by the board and, where appropriate, its committees, to manage and mitigate the Company's principal risks and uncertainties are set out in the table below.

Emerging risks and uncertainties

During the year, the board also discussed and monitored a number of risks that could potentially impact the Company's ability to meet its strategic objectives. These were political risk, climate change risk and the impact of the COVID-19 pandemic. The board has determined they are not currently, as detailed below, sufficiently material for the Company to be categorised as independent principal risks. The board receives updates from the Manager, Company Secretary and other service providers on other potential risks that could affect the Company.

Political risk includes Brexit, trade wars and regional tensions. The board continues to monitor developments for the UK's departure from the European Union and to assess the potential consequences for the Company's future activities, but believes that the Company's portfolio of Japanese assets positions the Company to be suitably insulated from Brexit related risks. Currency rate and borrowings drawn down by the Company may be affected by geopolitical developments particularly in relation to movements in sterling versus the yen. Note 20 of the financial statements provides more information on the effect of currency and market price movements. The board is also mindful that changes to public policy in the UK, or in Japan, could impact the Company in the future.

Climate change risk includes how climate change could affect the Company's investments, and potentially shareholder returns. The board notes the Manager has integrated ESG considerations, including climate change, into the investment process as detailed in the Strategic Report. The board will continue to monitor this.

The board also reviewed the risks arising from the COVID-19 pandemic and how it impacted the Company's principal risks and uncertainties. The board considers that the pandemic will likely continue to affect the Company with respect to investment management and service provider risks, due to the uncertainty caused by the pandemic, affecting the value of the Company's investments due to the disruption of supply chains and demand for products and services, increased costs and cash flow problems, and changed legal and regulatory requirements for companies. The board notes the Manager's investment process is unaffected by the pandemic and it continues to focus on long-term company fundamentals and detailed analysis of current and future investments. COVID-19 also affected the Company's service providers, who implemented business continuity plans in line with government guidelines. All service providers continue to operate on a business as usual basis.

* The "Change" column on the right highlights at a glance the board's assessment of any increases or decreases in risk during the year after mitigation and management. The arrows show the risks as stable or increased.

Risk	Mitigation and management	Change*
<p>Strategic</p> <p>The Company's investment objectives may become out of line with the requirements of investors, resulting in a wide discount of the share price to underlying NAV per share.</p>	<p>The appropriateness of the Company's investment remit is periodically reviewed and the success of the Company in meeting its stated objectives is monitored.</p> <p>The share price relative to NAV per share is monitored and the use of buy back authorities is considered on a regular basis.</p> <p>The marketing and distribution activity is actively reviewed.</p> <p>Proactive engagement with shareholders.</p>	➔
<p>The Company's cost base could become uncompetitive, particularly in light of open-ended alternatives.</p>	<p>The ongoing competitiveness of all service provider fees is subject to periodic benchmarking against their competitors.</p> <p>Annual consideration of management fee levels.</p>	➔
<p>Investment management</p> <p>The Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.</p>	<p>Review of: the Manager's compliance with its agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio's risk profile; and whether appropriate strategies are employed to mitigate any negative impact of substantial changes in markets. The Manager also reported on the impact of COVID-19 on the Company's portfolio, and the market generally.</p> <p>Annual review of the ongoing suitability of the Manager is undertaken.</p>	➔

Strategic Report

Risk	Mitigation and management	Change*
<p>Financial and currency</p> <p>The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in Japanese equity markets could have an adverse impact on the market value of the Company's underlying investments and, as the Company invests predominantly in assets which are denominated in yen, its exposure to changes in the exchange rate between sterling and yen has the potential to have a significant impact on returns.</p>	<p>The risk profile of the portfolio considered and appropriate strategies to mitigate any negative impact of substantial changes in markets discussed with the Manager.</p> <p>The board considers overall hedging policy on a regular basis.</p>	➔
<p>Custody</p> <p>Safe custody of the Company's assets may be compromised through control failures by the Depositary.</p>	<p>The depositary reports on safe custody of the Company's assets, including cash, and portfolio holdings independently reconciled with the Manager's records.</p> <p>The review of audited internal controls reports covering custodial arrangements is undertaken.</p> <p>An annual report from the depositary on its activities, including matters arising from custody operations is received.</p>	➔
<p>Gearing and leverage</p> <p>The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.</p>	<p>Gearing is monitored daily and strict restrictions on borrowings are imposed: gearing continues to operate within pre-agreed limits so as not to exceed 25% of shareholders' funds.</p>	➔
<p>Accounting, legal and regulatory</p> <p>In order to continue to qualify as an investment trust, the Company must comply with the requirements of Section 1158 of the Corporation Tax Act 2010.</p> <p>Breaches of the UK Listing Rules, the Companies Act or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes.</p>	<p>The confirmation of compliance with relevant laws and regulations by key service providers is reviewed.</p> <p>Shareholder documents and announcements, including the Company's published annual report, are subject to stringent review processes.</p> <p>Procedures are established to safeguard against the disclosure of inside information.</p>	➔
<p>Service provider</p> <p>The Company has no employees and has delegated certain functions to a number of service providers, principally the Manager, Depositary and Registrar. Failure of controls, and poor performance of any service provider could lead to disruption, reputational damage or loss.</p>	<p>Service providers are appointed subject to due diligence processes and with clearly-documented contractual arrangements detailing service expectations.</p> <p>Regular reporting is provided by key service providers and monitoring of the quality of their services provided. The directors also receive presentations from the Manager, depositary and custodian, and the registrar on an annual basis. This included reporting on the arrangements for working during the COVID-19 pandemic lockdown.</p> <p>Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements and IT controls, and follow up of remedial actions as required.</p>	➔
<p>Cyber</p> <p>The Company's service providers are all exposed to the risk of cyber attacks. Cyber attacks could lead to loss of personal or confidential information or disrupt operations.</p>	<p>Service providers report on cyber risk mitigation and management at least annually, which includes confirmation of business continuity capability in the event of a cyber attack.</p> <p>In addition, the board received presentations from the Manager, depositary and custodian, and the registrar on cyber risk, and the additional steps those companies were taking during the COVID-19 pandemic and the need for employees to work from home.</p>	⬆

Strategic Report

Risk assessment and internal controls review by the board

Risk assessment includes consideration of the scope and quality of the systems of internal control operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the audit and risk committee, including 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 from the audit and risk committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this report. The board is satisfied that it has undertaken a detailed review of the risks facing the Company.

A full analysis of the financial risks facing the Company is set out in note 20 to the accounts on pages 50 to 54.

Viability statement

The directors have assessed the viability of the Company over a five year period, taking into account the Company's position at 31 July 2020 and the potential impacts of the principal risks and uncertainties it faces for the review period. They have also reviewed the impact of the COVID-19 pandemic on the Company as further detailed in the Chairman's Statement, Portfolio Managers' Review and Emerging Risks sections of this report. The directors have assessed the Company's operational resilience and they are satisfied that the Company's outsourced service providers will continue to operate effectively, following the implementation of their business continuity plans.

A period of five years has been chosen as the board believes that this reflects a suitable time horizon for strategic planning, taking into account the investment policy, liquidity of investments, potential impact of economic cycles, nature of operating costs, dividends and availability of funding.

In its assessment of the viability of the Company, the directors have considered each of the Company's principal risks and uncertainties detailed on pages 16 and 17 and in particular the impact of a significant fall in Japanese equity markets on the value of the Company's investment portfolio. Whilst the Company's articles of association require that a proposal for the continuation of the Company be put forward at the AGM in 2024, the directors have no reason to believe such a resolution will not be passed by shareholders.

The directors have considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary and on that basis consider that five years is an appropriate time period.

The directors also considered a stress test in which the Company's NAV dropped by 50%, and noted that, based on the assumptions in the test, the Company would continue to be viable over a five year period.

Based on the Company's processes for monitoring operating costs, the board's view that the Manager has the appropriate depth and quality of resource to achieve superior returns in the longer term, the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls, the directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

Going concern

Having assessed the principal risks, the impact of the COVID-19 pandemic and the other matters discussed in connection with the viability statement set out above, and the "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" published by the FRC in 2014, the directors consider it appropriate to adopt the going concern basis in preparing the accounts.

By order of the board

Schroder Investment Management Limited
Company Secretary

20 October 2020

Board of Directors



Anja Balfour

Status: Independent Non-Executive Chairman

Length of service: 7 years – appointed a director in May 2013 and Chairman in November 2018

Experience: Mrs Balfour spent over 22 years managing equity portfolios for Stewart Ivory, Baillie Gifford and Axa Framlington. She is non-executive chairman and director of BMO Global Smaller Companies PLC, and non-executive director of AVI Global Trust plc and Scottish Friendly Assurance, where she chairs the Investment Committee. She formerly chaired the audit committee of Martin Currie Asia Unconstrained Trust plc and served as a Trustee of Venture Scotland.

Committee membership: Audit and Risk, Management Engagement (chair) and Nomination Committees (chair)

Current remuneration: £37,000 per annum

Number of shares held: 38,000*



Alan Gibbs

Status: Independent Non-Executive Director

Length of service: 4 years – appointed a director in February 2016

Experience: Mr Gibbs worked for the Fleming Group, after which he helped set up and run two Far Eastern brokerages before joining J.O. Hambro (latterly Waverton). Mr Gibbs is now Chairman of the Burdett Trust and an independent non-executive director of the M&G Charibond Charities Fixed Interest Common Investment Fund and a member of the Advisory Committee of the M&G Equities Investment Fund for Charities.

Committee membership: Audit and Risk, Management Engagement and Nomination Committees

Current remuneration: £27,000 per annum

Number of shares held: 100,000*

Board of Directors



Angus Macpherson

Status: Independent Non-Executive Director

Length of service: 5 months – appointed a director in February 2020

Experience: Mr Macpherson's experience spans 30 years of working in corporate finance and capital markets, with Noble, Merrill Lynch and Lazard in London, Asia, New York and Edinburgh. He is currently the non-executive chairman of Pacific Horizon Investment Trust plc and the non-executive chairman of Henderson Diversified Income plc. Mr Macpherson is a former director of JP Morgan Elect Plc. In addition, he is a trustee of the Scottish Policy Foundation and a director of Noble & Company (UK) Limited.

Committee membership: Audit and Risk, Management Engagement and Nomination Committees

Current remuneration: £27,000 per annum

Number of shares held: 49,440*



Belinda Richards

Status: Independent Non-Executive Director

Length of service: 2 years – appointed a director in January 2018

Experience: Mrs Richards is a former senior partner at Deloitte LLP. She is currently a non-executive director and the chair of the audit and risk committee of Avast plc and a non-executive director of The Monks Investment Trust plc and Phoenix Group Holdings plc. Mrs Richards is a former director of Aviva UK Life and Pensions, Balfour Beatty plc, Grainger plc, Jupiter Fund Management plc, Friends Life Group plc and Wm Morrison Supermarkets PLC.

Committee membership: Audit and Risk (chair), Management Engagement and Nomination Committees

Current remuneration: £31,100 per annum

Number of shares held: None

*Shareholdings are as at 16 October 2020, full details of directors' shareholdings are set out in the Remuneration Report on page 29.

Directors' Report

The directors submit their report and the audited financial statements of the Company for the year ended 31 July 2020.

Directors and officers

Chairman

The Chairman is an independent non-executive director who is responsible for leadership of the board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 19. She has no conflicting relationships.

Company Secretary

Schroder Investment Management Limited provides company secretarial support to the board and is responsible for assisting the Chairman with board meetings and advising the board with respect to governance. The Company Secretary also manages the relationship with the Company's service providers, except for the Manager. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the address given on the back cover or by email: amcompanysecretary@schroders.com.

Role and operation of the board

The board is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long-term success. The board is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objective of the Company continues to be met. The board also ensures that the Manager adheres to the investment restrictions set by the board and acts within the parameters set by it in respect of any gearing. The Strategic Report on pages 11 to 18 sets out further detail of how the board reviews the Company's strategy, risk management and internal controls and also includes other information required for the Directors' Report, and is incorporated by reference.

A formal schedule of matters specifically reserved for decision by the board has been defined and a procedure adopted for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

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

The board is satisfied that it is of sufficient size with an appropriate balance of diverse skills and experience, independence and knowledge of the Company, its sector and the wider investment trust industry, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making.

The board has approved a policy on directors' conflicts of interest. Under this policy, directors are required to disclose all actual and potential conflicts of interest to the board as

they arise for consideration and approval. The board may impose restrictions or refuse to authorise such conflicts if deemed appropriate. No directors have any connections with the Manager, shared directorships with other directors or material interests in any contract which is significant to the Company's business.

Key service providers

The board has adopted an outsourced business model and has appointed the following key service providers:

Manager

The Company is an Alternative Investment Fund as defined by the AIFM Directive and has appointed Schroder Unit Trusts Limited ("SUTL") as the Manager in accordance with the terms of an Alternative Investment Fund Manager ("AIFM") agreement. The AIFM agreement, which is governed by the laws of England and Wales, can be terminated by either party on six months' notice or on immediate notice in the event of certain breaches or the insolvency of either party. As at the date of this report no such notice had been given by either party. Prior to 31 July 2020, the notice period was twelve months.

SUTL is authorised and regulated by the FCA and provides portfolio management, risk management, accounting and company secretarial services to the Company under the AIFM agreement. The Manager also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the Chairman, other board members or the corporate broker as appropriate. The Manager has delegated investment management, administrative, accounting and company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited. The Manager has in place appropriate professional indemnity cover.

The Schroders Group manages £525.8 billion (as at 30 June 2020) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

As of 1 November 2019, the Manager is entitled to a fee at the rate of 0.75% per annum on assets up to and including £200 million and 0.65% per annum thereafter, charged on the net value of the Company's assets under management.

Prior to 1 November 2019, the management fee was charged on the Company's assets under management, net of current liabilities other than short-term borrowings.

The management fee payable in respect of the year ended 31 July 2020 amounted to £1,881,000 (2019: £2,139,000).

A marketing support fee of £50,000 per annum is also payable to the Manager in respect of the promotion of the Company.

The Manager is also entitled to receive a fee for providing administration, accounting and company secretarial services to the Company. For those services, it receives an annual fee of £90,000.

Details of all amounts payable to the Manager are set out in note 17 on page 50.

The management engagement committee has reviewed the performance of the Manager during the year under review and continues to consider that it has the appropriate depth of

Directors' Report

resource to deliver above average returns over the longer term and that the continuing appointment of the Manager on the terms agreed remains in the best interests of shareholders.

Depositary

HSBC Bank plc, which is authorised by the Prudential Regulation Authority ("PRA") and regulated by the FCA and the PRA, carries out certain duties of a depositary specified in the AIFM Directive including, in relation to the Company, as follows:

- safekeeping of the assets of the Company which are entrusted to it;
- cash monitoring and verifying the Company's cash flows; and
- oversight of the Company and the Manager.

The Company, the Manager and the depositary may terminate the Depositary Agreement at any time by giving 90 days' notice in writing. The Depositary may only be removed from office when a new Depositary is appointed by the Company.

Revenue, final dividend and dividend policy

The net revenue return for the year, before finance costs and taxation, was £7,164,000 (2019: £6,903,000). After deducting finance costs and taxation the amount available for distribution to shareholders was £6,252,000 (2019: £5,994,000) equivalent to net revenue of 5.00p (2019: 4.79p) per ordinary share.

The directors have recommended the payment of a final dividend for the year of 4.90p per share (2019: 4.70p) payable on 26 November 2020 to shareholders on the register on 6 November 2020, subject to approval by shareholders at the Annual General Meeting on 23 November 2020.

The board's policy is to pay out substantially all the Company's revenue.

Compliance with the UK Corporate Governance Code

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 UK Corporate Governance Code (the "Code"). The disclosures in this statement report against the provisions of the Code, as revised in April 2018. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This Statement, together with the Statement of Directors' Responsibilities, viability statement and going concern statement set out on pages 32 and 18, respectively indicates how the Company has complied with the Code's principles of good governance and its requirements on internal control.

The board believes that the Company has, throughout the year under review, complied with all relevant provisions set

out in 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 and risk committee effectively acts as the Senior Independent Director, leads the evaluation of the performance of the Chairman and is available to directors and/or shareholders if they have concerns which cannot be resolved through discussion with the Chairman. In addition, the Chairman is a member of the audit and risk committee. This is a departure from the Code but the directors agree that due to the small number of directors, the Chairman's participation is beneficial.

Committees

In order to assist the board in fulfilling its governance responsibilities, it has delegated certain functions to committees. The roles and responsibilities of these committees, together with details of work undertaken during the year under review, are outlined over the next few pages.

The reports of the audit and risk committee, nomination committee and management engagement committee are incorporated and form part of the Directors' Report.

Other required Directors' Report disclosures under laws, regulations, and the Code

Status

The Company carries on business as an investment trust. Its shares are listed and admitted to trading on the premium segment of the main market of the London Stock Exchange. It has been approved by HM Revenue & Customs as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010, by way of a one-off application and it is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status.

The Company is domiciled in the UK and is an investment company within the meaning of section 833 of the Companies Act 2006. The Company is not a "close" company for taxation purposes.

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 contain provisions requiring the directors to put a proposal for the continuation of the Company to shareholders at the Annual General Meeting ("AGM") in 2024 and thereafter at five yearly intervals.

Share capital and substantial share interests

As at 16 October, 2020, the Company had 124,606,534 ordinary shares of 10p in issue. No shares are held in treasury. Accordingly, the total number of voting rights in the Company at the date of this report is 124,606,534. Details of changes to

Directors' Report

the Company's share capital during the year end review are given in note 14 to the accounts on page 49.

The board noted that the Company's shareholders appreciated the board's discount management control. The board agreed to request renewal of the authorities to issue and buyback shares as described on page 56.

The Company has received notifications in accordance with the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rule 5.1.2R of the following interests in 3% or more of the voting rights attached to the Company's issued share capital.

	As at 31 July 2020	% of total voting rights
City of London Investment Management Company Limited	26,274,815	21.00
1607 Capital Partners, LLC	17,511,956	14.01
Investec Wealth & Investment Limited	16,233,462	12.99
Wells Capital Management, Inc	6,277,080	5.02
Rathbone Brothers PLC	6,219,182	4.98
Lazard Asset Management LLC	5,926,190	4.74
Derbyshire County Council	4,985,000	3.99

Following the year end and at the date of this report, the following shareholders notified the Company of changes to their holdings, varying the figures in the table above. In addition, Derbyshire County Council notified the Company that its holding dropped below the 3% threshold and so its holding following the year end is not reported. The other figures remain the same.

	As at 20 October 2020	% of total voting rights
City of London Investment Management Company Limited	30,950,853	24.84
1607 Capital Partners, LLC	22,465,079	18.01
Investec Wealth & Investment Limited	11,751,352	9.42

Provision of information to the auditor

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

Directors' attendance at meetings

Four board meetings are usually scheduled each year to deal with matters including: the setting and monitoring of investment strategy; approval of borrowings and/or cash positions; review of investment performance; the level of discount of the Company's shares to underlying NAV; promotion of the Company; and services provided by third parties. Additional meetings of the board are arranged as required.

The number of scheduled and ad hoc meetings of the board and its committees held during the financial year, and the attendance of individual directors, is shown below. Whenever possible all directors attend the AGM.

Director	Board	Nomination Committee	Audit and Risk Committee	Management Engagement Committee
Anja Balfour	6/6	3/3	2/2	1/1
Alan Gibbs	6/6	3/3	2/2	1/1
Richard Greer ¹	4/4	2/2	2/2	1/1
Angus Macpherson ²	3/3	1/1	1/1	-
Belinda Richards ³	5/6	3/3	2/2	1/1

¹Richard Greer retired as a director on 31 March 2020.

²Angus Macpherson was appointed as a director on 1 February 2020.

³Belinda Richards was unable to attend a board meeting due to a personal bereavement.

The board is satisfied that the Chairman and each of the other non-executive directors commits sufficient time to the affairs of the Company to fulfil their duties.

Directors' and officers' liability insurance and indemnities

Directors' and officers' liability insurance cover was in place for the directors throughout the year. The Company's articles of association provide, subject to the provisions of UK legislation, an indemnity for directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as directors, in which they are acquitted or judgment is given in their favour by the court. This is a qualifying third party indemnity provision and was in place throughout the year under review and to the date of this report.

By order of the board

Schroder Investment Management Limited

Company Secretary

20 October 2020

Audit and Risk Committee Report

The responsibilities and work carried out by the audit and risk committee during the year under review are set out in the following report. The duties and responsibilities of the committee, which include monitoring the integrity of the Company's financial reporting and internal controls, are set out in further detail, and may be found in the terms of reference which are set out on the Company's webpages, www.schroders.co.uk/japangrowth. Membership of the committee is as set out on pages 19 and 20. The board has satisfied itself that at least one of the committee's members has recent and relevant financial experience and that the committee as a whole has competence.

The committee met twice during the year ended 31 July 2020. The committee discharged its responsibilities by:

- considering its terms of reference;
- reviewing the operational controls maintained by the Manager, depositary and registrar;
- reviewing the half year and annual report and accounts and related audit plan and engagement letter;
- reviewing the need for an internal audit function;
- reviewing the independence of the auditor;
- reviewed the impact of and risks related to the COVID-19 pandemic and its impact on going concern and longer-term viability;
- evaluating the auditor's performance;
- reviewing the principal risks faced by the Company and the system of internal control.

Annual report and financial statements

During its review of the Company's financial statements for the year ended 31 July 2020, the audit and risk committee, having deliberated on the Company's principal risk and uncertainties, considered the following significant issues, including consideration of principal risks and uncertainties in light of the Company's activities, and issues communicated by the auditors during its reporting:

Issue considered	How the issue was addressed
- Valuation and existence of holdings	- Review of portfolio holdings and assurance reports on controls from the Manager and depositary.
- Recognition of investment income	- Consideration of dividends received against forecast and the allocation of special dividends to income or capital.
- Calculation of the investment management fee and performance fee	- Consideration of methodology used to calculate the fees, matched against the criteria set out in the AIFM agreement.
- Overall accuracy of the annual report and accounts	- Consideration of the draft annual report and accounts and the letter from the Manager in support of the letter of representation to the auditor.
- Internal controls and risk management	- Consideration of several key aspects of internal control and risk management operating within the Manager, depositary and registrar, including receiving presentations and assurance reports on these controls, which include reporting on IT and cyber security, custody and fund services.
- Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010	- Consideration of the Manager's report confirming compliance.

Recommendations made to, and approved by, the board:

As a result of the work performed, the committee has concluded that the annual report for the year ended 31 July 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the board. The board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 32.

Audit and Risk Committee Report

Effectiveness of the independent audit process

The committee evaluated the effectiveness of the independent audit firm and process prior to making a recommendation on its re-appointment at the forthcoming AGM. This evaluation involved an assessment of the effectiveness of the auditor's performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards; and overall competence. As part of the evaluation, the committee considered feedback from the Manager on the audit process and the year end report from the auditor, which details compliance with regulatory requirements, on safeguards that have been established, and on their own internal quality control procedures. The members of the committee also met the auditor without representatives of the Manager present.

Representatives of the auditors attend the committee meeting at which the draft annual report and accounts are considered. Having reviewed the performance of the auditor as described above, the committee considered it appropriate to recommend the firm's re-appointment.

There are no contractual obligations restricting the choice of independent auditor.

Independent auditor

Deloitte LLP have indicated their willingness to continue to act as auditor. Accordingly, resolutions to re-appoint Deloitte LLP as auditor to the Company, and to authorise the directors to determine their remuneration will be proposed at the AGM.

Provision of non-audit services

The committee has reviewed the FRC's Guidance on Audit Committees and has formulated a policy on the provision of non-audit services by the Company's auditor. The committee has determined that the Company's appointed auditor will not be considered for the provision of certain non-audit services, such as accounting and preparation of the financial statements, internal audit and custody. The auditor may, if required, provide other non-audit services however, and this will be judged on a case-by-case basis.

The auditor has not provided any non-audit services to the Company for the year (2019: nil).

Internal audit

The Company does not have an internal audit function; it delegates to third parties most of its operations and does not employ any staff. The committee will continue to monitor the system of internal control in order to provide assurance that it operates as intended and the directors will continue to annually review whether an internal audit function is needed.

Belinda Richards

Audit and risk committee chairman

20 October 2020

Recommendations made to, and approved by, the board:

- That the auditor be recommended for re-appointment at the AGM.

Management Engagement Committee Report

The management engagement committee is responsible for (1) the monitoring and oversight of the Manager's performance and fees, and confirming the Manager's ongoing suitability, and (2) reviewing and assessing the Company's other service providers, including reviewing their fees. All directors are members of the committee. Anja Balfour is the chair of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/japangrowth.

Approach

Oversight of the Manager	Oversight of other service providers
<p>The committee:</p> <ul style="list-style-type: none"> reviews the Manager's performance, over the short- and long-term, against the Benchmark, peer group and the market. considers the reporting it has received from the Manager throughout the year, and the reporting from the Manager to the shareholders. assesses management fees on an absolute and relative basis, receiving input from the Company's broker, including peer group and industry figures, as well as the structure of the fees. reviews the appropriateness of the Manager's contract, including terms such as notice period. assesses whether the Company receives appropriate administrative, accounting, company secretarial and marketing support from the Manager. 	<p>The committee reviews the performance and competitiveness of the following service providers on at least an annual basis:</p> <ul style="list-style-type: none"> Depository and custodian Corporate broker Registrars Lender <p>The committee also receives a report from the Company Secretary on ancillary service providers, and considers any recommendations.</p> <p>The committee notes the audit and the risk committee's review of the auditor.</p>



Application during the year

<p>The committee undertook a detailed review of the Manager's performance and agreed that it has the appropriate depth and quality of resource to deliver superior returns over the longer term.</p> <p>The committee also reviewed the terms of the AIFM agreement and agreed they remained fit for purpose except for the notice period, which was reduced to six months in line with the market.</p> <p>The committee reviewed the other services provided by the Manager and agreed they were satisfactory.</p>	<p>The annual review of each of the service providers was satisfactory.</p> <p>The committee noted that the audit and risk committee had undertaken a detailed evaluation of the Manager, registrar, and depository and custodian's internal controls.</p>
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Recommendations made to, and approved by, the board:

- That the ongoing appointment of the Manager on the terms of the AIFM agreement, including the fee, was in the best interests of shareholders as a whole.
- That the Company's service providers' performance remained satisfactory.

Nomination Committee Report

The nomination committee is responsible for (1) the recruitment, selection and induction of directors, (2) their assessment during their tenure, and (3) the board's succession. All directors are members of the committee. Anja Balfour is the chair of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/japangrowth.

Oversight of directors



Approach		
Selection and induction	Board evaluation and directors' fees	Succession
<ul style="list-style-type: none"> • Committee prepares a job specification for each role, and an independent recruitment firm is appointed. For the Chairman and the chairs of committees, the committee considers current board members too. • Job specification outlines the knowledge, professional skills, personal qualities and experience requirements. • Potential candidates assessed against the Company's diversity policy. • Committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the board. • Committee reviews the induction and training of new directors. 	<ul style="list-style-type: none"> • Committee assesses each director annually. • Evaluation focuses on whether each director continues to demonstrate commitment to their role and provides a valuable contribution to the board during the year, taking into account time commitment, independence, conflicts and training needs. • Following the evaluation, the committee provides a recommendation to shareholders with respect to the annual re-election of directors at the AGM. • All directors retire at the AGM and their re-election is subject to shareholder approval. • Committee reviews directors' fees, taking into account comparative data and reports to shareholders. • Any proposed changes to the remuneration policy for directors are discussed and reported to shareholders. 	<ul style="list-style-type: none"> • The board's succession policy is that directors' tenure will be for no longer than nine years, except in exceptional circumstances, and that each director will be subject to annual re-election at the AGM. • Committee reviews the board's current and future needs at least annually. Should any need be identified the committee will initiate the selection process. • Committee oversees the handover process for retiring directors.
<p>For application see page 28</p>		

Nomination Committee Report

Application during the year		
Selection and induction	Board evaluation and directors' fees	Succession
<ul style="list-style-type: none"> The committee discussed the need to appoint a new non-executive director during the prior year. A job specification was agreed. The committee appointed Fletcher Jones to run the search process. Fletcher Jones is independent of the Company and directors. The committee interviewed candidates in December 2019 and recommended the appointment of Angus MacPherson to the board in February 2020. An induction process was held for Mr Macpherson in February 2020. 	<ul style="list-style-type: none"> The board evaluation was undertaken in May and June 2020. The committee also reviewed each director's time commitment and independence by reviewing a complete list of appointments, including pro bono not for profit roles, to ensure that each director remained free from conflict and had sufficient time available to discharge each of their duties effectively. All directors were considered to be independent in character and judgement. The committee considered each director's contributions, and noted that in addition to extensive experience as professionals and non-executive directors, each director had valuable skills and experience, as detailed in their biographies on pages 19 and 20. Based on its assessment, the committee provided individual recommendations for each director's re-election. The committee reviewed directors' fees, using external benchmarking, and recommended an increase in directors' fees, as detailed in the remuneration report. 	<ul style="list-style-type: none"> The committee reviewed the succession policy and agreed it was still fit for purpose. The committee noted that Richard Greer retired on 31 March 2020 in line with its agreed succession arrangements.



Recommendations made to, and approved by, the board:

- That Angus MacPherson be appointed as a non-executive director.
- That all directors continue to demonstrate commitment to their roles, provide a valuable contribution to the deliberations of the board and remain free from conflicts with the Company and its directors, so should all be recommended for re-election by shareholders at the AGM.

Directors' Remuneration Report

Introduction

The following remuneration policy is currently in force and is subject to a binding vote every three years. The next vote will take place at the forthcoming AGM and the current policy provisions will apply until that date. An ordinary resolution to approve the directors' remuneration policy will be put to Shareholders at the AGM (no changes are proposed). The below directors' annual report on remuneration is subject to an annual advisory vote. An ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM.

At the AGM held on 2 November 2017, 99.88% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Directors' Remuneration Policy were in favour, while 0.12% were against. 16,980 votes were withheld.

Also at the AGM held on 6 November 2019, 99.90% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Directors' Remuneration Report for the year ended 31 July 2019 were in favour, while 0.10% were against. 24,544 votes were withheld.

Directors' remuneration policy

The determination of the directors' fees is a matter considered by the management engagement committee and the board.

It is the nomination committee's policy to determine the level of directors' remuneration having regard to amounts payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of board and committee responsibilities, and time committed to the Company's affairs, taking into account the aggregate limit of fees set out in the Company's articles of association. This aggregate level of directors' fees is currently set at £175,000 per annum and any increase in this level requires approval by the board and the Company's shareholders.

The Chairman of the board and the chair of the audit and risk committee both receive fees at a higher rate than the other directors to reflect their additional responsibilities. Directors' fees are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary to promote the success of the Company in reaching its short and long-term strategic objectives.

The board and its committees exclusively comprise non-executive directors. No director past or present has an entitlement to a pension, and the Company has not, and does not intend to operate a share scheme for directors or to award any share options or long-term performance incentives to any director. No director has a service contract with the Company. However, directors have a letter of appointment. Directors do not receive exit payments and are not provided with any compensation for loss of office. No other payments are made to directors other than the reimbursement of reasonable out-of-pocket expenses incurred in attending to the Company's business.

Implementation of policy

The terms of directors' letters of appointment are available for inspection at the Company's registered office address during normal business hours and during the AGM at the location of such meeting.

The board did not seek the views of shareholders in setting this policy. Any comments on the policy received from shareholders would be considered on a case-by-case basis.

As the Company does not have any employees, no employee pay and employment conditions were taken into account when setting this policy and no employees were consulted in its construction.

Directors' fees are reviewed annually and take into account research from third parties on the fee levels of directors of peer group companies, as well as industry norms and factors affecting the time commitment expected of the directors. New directors are subject to the provisions set out in this remuneration policy.

Directors' annual report on remuneration

This report sets out how the directors' remuneration policy was implemented during the year ended 31 July 2020.

Consideration of matters relating to directors' remuneration

Directors' remuneration was last reviewed by the board in September 2020. The members of the board at the time that remuneration levels were considered were as set out on pages 19 and 20. Although no external advice was sought in considering the levels of directors' fees, information on fees paid to directors of other investment trusts managed by Schroders and peer group companies provided by the Manager and corporate broker was taken into consideration as was independent third party research.

Following the review of directors' fees by the nomination committee, the board agreed to maintain directors' fees at the same level.

Directors' Remuneration Report

Fees paid to directors

The following amounts were paid by the Company to directors for their services in respect of the year ended 31 July 2020 and the preceding financial year. Directors' remuneration is all fixed; they do not receive any variable remuneration. The performance of the Company over the financial year is presented on page 2, under the heading "Financial Highlights".

Director	Salary/fees		Taxable benefits ¹		Total		Annual percentage change (%)
	2020 £	2019 £	2020 £	2019 £	2020 £	2019 £	
Anja Balfour (Chairman) ²	37,000	34,563	1,092	4,204	38,092	38,767	-1.7
Alan Gibbs	27,000	26,250	-	193	27,000	26,443	2.1
Richard Greer ³	18,000	26,250	-	133	18,000	26,383	-31.8
Angus Macpherson ⁴	13,500	-	-	-	13,500	-	N/A
Belinda Richards	31,100	29,250	-	305	31,100	29,555	5.2
Jonathan Taylor ⁵	-	9,099	-	876	-	9,975	N/A
Total	126,600	125,412	1,092	5,711	127,692	131,123	

¹Comprise amounts reimbursed for expenses incurred in carrying out business for the Company, and which have been grossed up to include PAYE and NI contributions.

²Appointed Chairman on 1 November 2018.

³Retired as a director on 31 March 2020.

⁴Appointed as a director on 1 February 2020.

⁵Retired as a director on 1 November 2018

The information in the above table has been audited.

Expenditure by the Company on remuneration and distributions to shareholders

The table below compares the remuneration payable to directors to distributions paid to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the Company's investment objective.

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000	% change
Remuneration payable to directors	128	131	-2.3
Distributions paid to shareholders – dividends	5,875	5,000	17.5

Directors' share interests

The Company's articles of association do not require directors to own shares in the Company. The interests of directors, including those of connected persons, in the Company's ordinary shares of 10p each, at the beginning and end of the financial year under review are set out below.

	At 31 July 2020	At 31 July 2019
Anja Balfour	38,000	27,000
Alan Gibbs	100,000	100,000
Richard Greer ¹	-	9,689
Angus Macpherson ²	49,440	-
Belinda Richards	-	-

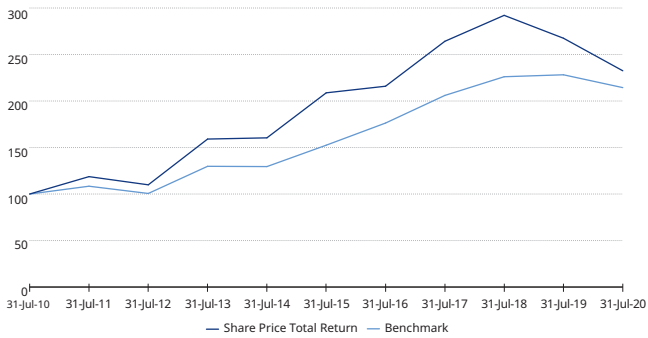
¹Retired as a director on 31 March 2020

²Appointed as a director on 1 February 2020.

The information in the above table has been audited. There have been no changes since the year end.

Directors' Remuneration Report

10 year performance of share price and Benchmark total returns¹



¹Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 July 2010.

Definitions of terms and performance measures are provided on page 60.

Anja Balfour
Chairman
20 October 2020

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Manager is responsible for the maintenance and integrity of the webpage dedicated to the Company. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in the board of directors on pages 19 and 20 confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company; and

- the Strategic Report includes a fair review 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 it faces.

On behalf of the board

Anja Balfour
Chairman

20 October 2020

Independent Auditor's Report to the Members of Schroder Japan Growth Fund plc

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Schroder Japan Growth Fund plc (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 July 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice issued by the Association of Investment Companies in October 2019 "Financial Statements of Investment Trust Companies and Venture Capital Trusts"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- statement of changes in equity;
- the statement of financial position; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice issued by the Association of Investment Companies ('SORP') in October 2019 "Financial Statements of Investment Trust Companies and Venture Capital Trusts".

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current period were valuation and ownership of quoted investments.
Materiality	The materiality that we used in the current year was £2.36m which was determined on the basis of 1% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	In our previous year audit, we identified revenue recognition as a significant risk of material misstatement due to the risk of fraud. In the current year, we have concluded that this risk should no longer be classed as significant due to a lack of incentive for fraud and our experience accumulated from our previous year's audit of the Company.

Independent Auditor's Report to the Members of Schroder Japan Growth Fund plc

4. Conclusions relating to going concern, principal risks and viability statement

4.1 Going concern

We have reviewed the directors' statement in note 1a to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the company, its business model and related risks including where relevant the impact of the Covid-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

4.2 Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 16 and 17 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 16 that they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 18 as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Company required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Viability means the ability of the company to continue over the time horizon considered appropriate by the directors.




We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Independent Auditor's Report to the Members of Schroder Japan Growth Fund plc

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Valuation and ownership of quoted investments	
<p>Key audit matter description</p> 	<p>The investments of the Company of £268.08m (2019: £307.75m) make up 95.22% (2019: 96.09%) of total assets of the Company at 31 July 2020.</p> <p>See the accounting policy in note 1(b) of the Financial Statements and also see note 10 of the Financial Statements.</p> <p>There is a risk that the quoted investments may not be valued correctly or may not represent the property of the Company. Given the nature and size of the balance and its importance to the Company, we have considered that there is a potential risk of fraud in this area.</p>
<p>How the scope of our audit responded to the key audit matter</p> 	<p>We have performed the following procedures to test the valuation and ownership of the investment portfolio at 31 July 2020:</p> <ul style="list-style-type: none"> – reviewed the service auditor reports on HSBC Securities Services ('HSBC') to obtain and understanding of relevant controls over the valuation and ownership of investments are appropriate; – agreed 100% of the Company's investment portfolio at the year end to confirmations received directly from the custodian, HSBC; and – agreed 100% of the bid prices of investments on the investment ledger at year end to closing bid prices published by an independent pricing source; <p>In addition, to support our procedures above, we have:</p> <ul style="list-style-type: none"> – tested the completeness and recording of a sample of purchases and sales of investments; and – reviewed the completeness and appropriateness of disclosures in relation to fair value measurements and liquidity risk.
<p>Key observations</p> 	<p>Based on the work performed we concluded that the valuation and ownership of investments is appropriate.</p>

6. Our application of materiality

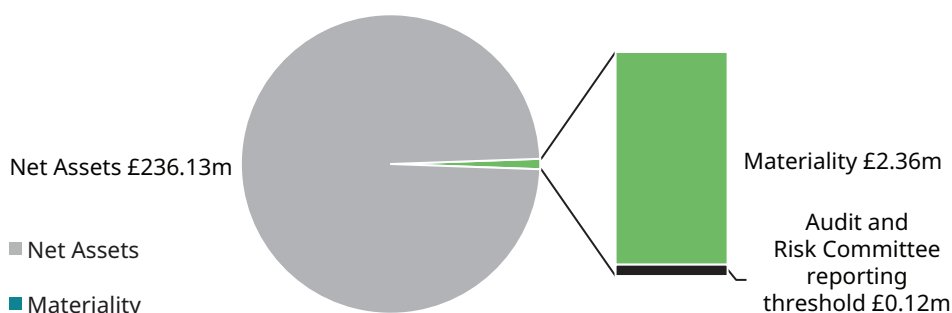
6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£2.36m (2019: £2.74m)
Basis for determining materiality	1% of net assets (2019: 1% of net assets)
Rationale for the benchmark applied	Net assets has been chosen as a benchmark as it is considered the most relevant benchmark for investors and is a key driver of shareholder value.

Independent Auditor's Report to the Members of Schroder Japan Growth Fund plc



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 65% of materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered our risk assessment, including our assessment of the Company's overall control environment, our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods, and the inherent increase in risk in the Company's operating environment caused by the uncertainty and volatility brought about by the Covid-19 pandemic. The latter of these factors has led to a reduction in our performance materiality from 70% of materiality in the prior year to 65% in the current year.

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.12m (2019: £0.14m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Management Engagement Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1 Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control and assessing the risks of material misstatement through quantitative and qualitative factors relating to each account balance, class of transactions and disclosure. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

As part of our risk assessment, we assessed the control environment in place at the administrator to the extent relevant to our audit.

7.2 Our consideration of the control environment

The administrator of the Company, HSBC, provides day to day administration of the Company and is also responsible for the Company's general administrative functions, including the calculation and publication of the net asset value, and maintenance of the Company's accounting and statutory records. We have, however, not relied on the controls report of the administrator.

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Independent Auditor's Report to the Members of Schroder Japan Growth Fund plc

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risk of fraud or non-compliance with laws and regulations;

Independent Auditor's Report to the Members of Schroder Japan Growth Fund plc

- the matters discussed among the audit engagement team and involving relevant internal specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: valuation and ownership of investment. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, focusing on provision of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, as well as UK tax legislation, given the Company's qualification as an Investment Trust.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

11.2 Audit response to risks identified

As a result of performing the above, we identified the valuation and ownership of investments as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, and reviewing correspondence with HMRC and the FCA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Independent Auditor's Report to the Members of Schroder Japan Growth Fund plc

13. Matters on which we are required to report by exception

13.1 Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14. Other matters

14.1 Auditor tenure

Following the recommendation of the audit committee, we were appointed by the board of directors on 10 April 2019 to audit the financial statements for the period ending 31 July 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years, covering the years ending 31 July 2019 to 31 July 2020.

14.2 Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

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

Chris Hunter CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom

20 October 2020

Income Statement for the year ended 31 July 2020

	Note	Revenue £'000	2020 Capital £'000	Total £'000	Revenue £'000	2019 Capital £'000	Total £'000
Losses on investments held at fair value through profit or loss	2	-	(37,752)	(37,752)	-	(13,985)	(13,985)
Net foreign currency gains/(losses)		-	1,602	1,602	-	(3,751)	(3,751)
Income from investments	3	8,276	-	8,276	8,157	-	8,157
Other interest receivable and similar income	3	4	-	4	7	-	7
Gross return/(loss)		8,280	(36,150)	(27,870)	8,164	(17,736)	(9,572)
Investment management fee	4	(564)	(1,317)	(1,881)	(642)	(1,497)	(2,139)
Administrative expenses	5	(552)	-	(552)	(619)	-	(619)
Net return/(loss) before finance costs and taxation		7,164	(37,467)	(30,303)	6,903	(19,233)	(12,330)
Finance costs	6	(84)	(196)	(280)	(93)	(217)	(310)
Net return/(loss) on ordinary activities before taxation		7,080	(37,663)	(30,583)	6,810	(19,450)	(12,640)
Taxation on ordinary activities	7	(828)	-	(828)	(816)	-	(816)
Net return/(loss) on ordinary activities after taxation		6,252	(37,663)	(31,411)	5,994	(19,450)	(13,456)
Return/(loss) per share	9	5.00p	(30.13)p	(25.13)p	4.79p	(15.56)p	(10.77)p

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no other items of other comprehensive income and therefore the net return on ordinary activities after taxation is also the total comprehensive income for the year.

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

The notes on pages 43 to 55 form an integral part of these accounts.

Statement of Changes in Equity for the year ended 31 July 2020

	Note	Called-up share capital £'000	Share redemption premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2018		12,501	7	-	3	97,205	176,708	5,844	292,268
Net (loss)/return on ordinary activities		-	-	-	-	-	(19,450)	5,994	(13,456)
Dividend paid in the year	8	-	-	-	-	-	-	(5,000)	(5,000)
At 31 July 2019		12,501	7	-	3	97,205	157,258	6,838	273,812
Repurchase of the Company's own shares for cancellation		(23)	-	23	-	(398)	-	-	(398)
Net (loss)/return on ordinary activities		-	-	-	-	-	(37,663)	6,252	(31,411)
Dividend paid in the year	8	-	-	-	-	-	-	(5,875)	(5,875)
At 31 July 2020		12,478	7	23	3	96,807	119,595	7,215	236,128

The notes on pages 43 to 55 form an integral part of these accounts.

Statement of Financial Position at 31 July 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	268,080	307,753
Current assets			
Debtors	11	1,643	1,108
Cash at bank and in hand		11,814	11,414
		13,457	12,522
Current liabilities			
Creditors: amounts falling due within one year	12	(2,172)	(1,331)
Net current assets		11,285	11,191
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	13	(43,237)	(45,132)
Net assets		236,128	273,812
Capital and reserves			
Called-up share capital	14	12,478	12,501
Share premium	15	7	7
Capital Redemption reserve	15	23	-
Warrant exercise reserve	15	3	3
Share purchase reserve	15	96,807	97,205
Capital reserves	15	119,595	157,258
Revenue reserve	15	7,215	6,838
Total equity shareholders' funds		236,128	273,812
Net asset value per share	16	189.24p	219.04p

These accounts were approved and authorised for issue by the board of directors on 20 October 2020 and signed on its behalf by:

Anja Balfour
Chairman

The notes on pages 43 to 55 form an integral part of these accounts.

Registered in England and Wales

Company registration number: 02930057

Notes to the Accounts

1. Accounting Policies

(a) Basis of accounting

Schroder Japan Growth Fund plc ("the Company") is registered in England and Wales as a public company limited by shares. The company's registered office is 1 London Wall Place, London EC2Y 5AU.

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), in particular in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in October 2019. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. The directors believe that the Company has adequate resources to continue operating for at least 12 months from the date of approval of these accounts. In forming this opinion, the directors have taken into consideration: the controls and monitoring processes in place; the Company's low level of debt and other payables; the low level of operating expenses, comprising largely variable costs which would reduce pro rata in the event of a market downturn; and that the Company's assets comprise cash and readily realisable securities quoted in active markets. In forming this opinion the directors have also considered any potential impact of the COVID-19 pandemic on the viability of the Company. Further details of directors' considerations regarding this are given in the Chairman's Statement, Portfolio Managers' Review, Going Concern Statement, Viability Statement and under the Emerging Risks and uncertainties heading on page 16.

The Company has not presented a statement of cash flows, as it is not required for an investment trust which meets certain conditions.

The accounts are presented in sterling and amounts have been rounded to the nearest thousand.

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 July 2019.

No significant judgements, estimates or assumptions have been required in the preparation of the accounts for the current or preceding financial year.

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's board of directors. Accordingly, upon initial recognition, the investments are designated by the Company as "held at fair value through profit or loss". They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are last traded prices as quoted on the Tokyo Stock Exchange.

Investments that are unlisted or not actively traded are valued using a variety of techniques to determine their fair value; all such valuations are reviewed by both the AIFM's Fair Value Pricing Committee and by the directors. No investments held at the current or comparative year end have been valued using other techniques.

All purchases and sales are accounted for on a trade date basis.

(c) Accounting for reserves

Gains and losses on sales of investments are included in the income statement and in capital reserves within "gains and losses on sales of investments". Increases and decreases in the valuation of investments held at the year end are included in the income statement and in capital reserves within "investment holding gains and losses".

Foreign exchange gains and losses on cash and deposit balances and unrealised exchange gains and losses on foreign currency loans are included in the income statement and in capital reserves.

(d) Income

Dividends receivable are included in revenue on an ex-dividend basis except where, in the opinion of the board, the dividend is capital in nature, in which case it is included in capital.

Overseas dividends are included gross of any withholding tax.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

Notes to the Accounts

Deposit interest outstanding at the year end is calculated and accrued on a time apportionment basis using market rates of interest.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to the revenue column of the income statement with the following exceptions:

- The investment management fee is allocated 30% to revenue and 70% to capital in line with the board's expected long-term split of revenue and capital return from the Company's investment portfolio.
- Expenses incidental to the purchase or sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and mainly comprise brokerage commission. Details of transaction costs are given in note 10 on page 47.

(f) Finance costs

Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest method in accordance with FRS 102.

Finance costs are allocated 30% to revenue and 70% to capital in line with the board's expected long-term split of revenue and capital return from the Company's investment portfolio.

(g) Financial instruments

Cash at bank and in hand may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Other debtors and creditors do not carry any interest, are short-term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

Bank loans and overdrafts are classified as loans and receivables and are initially measured at fair value and subsequently measured at amortised cost. They are recorded at the proceeds received net of direct issue costs. Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest method.

(h) Taxation

The tax charge for the year is based on amounts expected to be received or paid.

Deferred tax is accounted for in accordance with FRS 102.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date.

Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised.

Tax relief is allocated to expenses charged to the capital column of the income statement on the "marginal basis". On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to capital.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the accounting date and is measured on an undiscounted basis.

(i) Foreign currency

In accordance with FRS 102, the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency and the currency in which the accounts are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction.

Monetary assets, liabilities and equity investments denominated in foreign currencies at the year end, are translated at the rates of exchange prevailing at the year end.

(j) Dividend payable

In accordance with FRS 102, the final dividend is included in the accounts in the year in which it is paid.

Notes to the Accounts

(k) Repurchase of Ordinary Shares

The costs of repurchasing Ordinary shares including related stamp duty and transaction costs are taken directly to equity and reported through the Statement of Changes in Equity as a charge on the share purchase reserve. Share repurchase transactions are accounted for on a trade date basis.

The nominal value of Ordinary share capital repurchased and cancelled is transferred out of called up share capital and into the capital redemption reserve.

2. Losses on investments held at fair value through profit or loss

	2020 £'000	2019 £'000
Gains on sales of investments based on historic cost	19,337	16,680
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(28,989)	(21,294)
Losses on sales of investments based on the carrying value at the previous balance sheet date	(9,652)	(4,614)
Net movement in investment holding gains and losses	(28,100)	(9,371)
Losses on investments held at fair value through profit and loss	(37,752)	(13,985)

3. Income

	2020 £'000	2019 £'000
Income from investments:		
Overseas dividends	8,276	8,157
Other interest receivable and similar income		
Deposit interest	4	7
Total income	8,280	8,164

4. Investment management fee

	Revenue £'000	2020 Capital £'000	Total £'000	Revenue £'000	2019 Capital £'000	Total £'000
Management fee	564	1,317	1,881	642	1,497	2,139

The basis for calculating the investment management fee is set out in the Report of the Directors on page 21 and details of all amounts payable to the Manager are given in note 17 on page 50.

5. Administrative expenses

	2020 £'000	2019 £'000
Administration expenses	244	324
Directors' fees ¹	127	125
Company secretarial fee	90	90
Marketing support fee	58	50
Auditor's remuneration for audit services	33	30
	552	619

¹Details of all amounts payable to directors are given in the Remuneration Report on page 30.

Notes to the Accounts

6. Finance costs

	Revenue £'000	2020 Capital £'000	Total £'000	Revenue £'000	2019 Capital £'000	Total £'000
Interest on bank loans and overdrafts	84	196	280	93	217	310

7. Taxation on ordinary activities

	2020 £'000	2019 £'000
(a) Analysis of charge in the year:		
Irrecoverable overseas tax	828	816
Taxation on ordinary activities	828	816

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2019: higher) than the Company's applicable rate of corporation tax for the year of 19% (2019: 19%).

The factors affecting the current tax charge for the year are as follows:

	Revenue £'000	2020 Capital £'000	Total £'000	Revenue £'000	2019 Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	7,080	(37,663)	(30,583)	6,810	(19,450)	(12,640)
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19% (2019: 19%)	1,345	(7,156)	(5,811)	1,294	(3,696)	(2,402)
Effects of:						
Capital losses on investments	-	6,868	6,868	-	3,370	3,370
Income not chargeable to corporation tax	(1,572)	-	(1,572)	(1,550)	-	(1,550)
Unrelieved expenses	227	288	515	256	326	582
Irrecoverable overseas tax	828	-	828	816	-	816
Taxation on ordinary activities	828	-	828	816	-	816

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £6,492,000 (2019: £5,348,000) based on a main rate of corporation tax of 19% (2019: 17%). At Budget 2020, the government announced that the main rate of corporation tax would remain at 19% for the years beginning on 1 April 2020 and 2021.

The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

Given the Company's status as an Investment Trust Company, no provision has been made for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

Notes to the Accounts

8. Dividends

Dividend paid and proposed

	2020 £'000	2019 £'000
2019 final dividend of 4.70p (2018: 4.00p) paid out of revenue profits	5,875	5,000
2020 final dividend proposed of 4.90p (2019: 4.70p) to be paid out of revenue profits	6,114	5,875

The proposed dividend amounting to £6,114,000 (2019: £5,875,000) is the amount used for the basis of determining whether the Company has satisfied the distribution requirements of Section 1158 of the Corporation Tax Act 2010. The revenue available for distribution by way of dividend for the year is £6,252,000 (2019: £5,994,000).

9. Return/(loss) per share

	2020 £'000	2019 £'000
Revenue return	6,252	5,994
Capital loss	(37,663)	(19,450)
Total loss	(31,411)	(13,456)
Weighted average number of ordinary shares in issue during the year	124,998,055	125,008,200
Revenue return per share	5.00p	4.79p
Capital loss per share	(30.13)p	(15.56)p
Total loss per share	(25.13)p	(10.77)p

10. Investments held at fair value through profit or loss*

	2020 £'000	2019 £'000
Opening book cost	212,755	201,093
Opening investment holding gains	94,998	125,663
Opening fair value	307,753	326,756
Analysis of transactions made during the year		
Purchases at cost	95,566	53,359
Sales proceeds received	(97,487)	(58,377)
Losses on investments held at fair value	(37,752)	(13,985)
Closing fair value	268,080	307,753
Closing book cost	230,172	212,755
Closing investment holding gains	37,908	94,998
Closing fair value	268,080	307,753

All investments are listed on a recognised stock exchange.

The Company received £97,487,000 (2019: £58,377,000) from disposal of investments in the year. The book cost of these investments when they were purchased were £78,150,000 (2019: £41,697,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

*Note10, including the prior year, has been updated in accordance with the presentational guidance set out in the Statement of Recommended Practice (SORP) for Investment Trusts issued by the Association of Investment Companies (AIC) in October 2019.

Notes to the Accounts

The following transaction costs, mainly comprising brokerage commissions, were incurred during the year:

	2020 £'000	2019 £'000
On acquisitions	22	13
On disposals	22	15
	44	28

11. Debtors

	2020 £'000	2019 £'000
Securities sold awaiting settlement	1,431	690
Dividends and interest receivable	190	393
Other debtors	22	25
	1,643	1,108

The directors consider that the carrying amount of debtors approximates to their fair value.

12. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Securities purchased awaiting settlement	1,595	647
Other creditors and accruals	577	684
	2,172	1,331

In addition to the term loan detailed in note 13 below, the Company has a yen 2.0 billion credit facility available from Sumitomo Mitsui Banking Corporation Europe Limited ("SMBC"), which was undrawn at the year end (2019: undrawn). The facility is unsecured but is subject to covenants and restrictions which are customary for a facility of this nature. Further details of the facility are given in note 20 on page 50.

The directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

13. Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Bank loan	43,237	45,132

The bank loan comprises a yen 6.0 billion three-year term loan from SMBC, expiring in January 2022, carrying a fixed rate of interest of 0.64% per annum. The loan is unsecured but is subject to certain undertakings and restrictions, all of which have been complied with. The directors consider that the carrying amount of the loan approximates to its fair value.

Notes to the Accounts

14. Called-up share capital

	2020 £'000	2019 £'000
Ordinary shares allotted, called-up and fully paid:		
Opening balance of 125,008,200 (2019: same) shares of 10p each	12,501	12,501
Purchase and cancellation of 231,500 (2019: nil) shares	(23)	-
Closing balance of 124,776,700 (2019: 125,008,200) shares	12,478	12,501

During the year, the Company purchased 231,500 of its own shares, nominal value £23,150, for cancellation, for a total consideration of £398,000, representing 0.19% of the shares outstanding at the beginning of the year. The reason for these share repurchases was to seek to manage the volatility of the share price discount to net asset value per share.

15. Reserves

	Share premium ¹ £'000	Capital redemption reserve ¹ £'000	Warrant exercise reserve ¹ £'000	Share purchase reserve ² £'000	Capital reserves Gains and losses on sales of investments ² £'000	Investment holding gains and losses ³ £'000	Revenue reserve ⁴ £'000
Opening balance	7	-	3	97,205	64,759	92,499	6,838
Losses on sales of investments based on the carrying value at the previous balance sheet date	-	-	-	-	(9,652)	-	-
Net movement in investment holding gains and losses	-	-	-	-	-	(28,100)	-
Transfer on disposal of investments	-	-	-	-	28,989	(28,989)	-
Realised exchange losses on cash and short-term deposits	-	-	-	-	(293)	-	-
Exchange gains on foreign currency loan	-	-	-	-	-	1,895	-
Management fee and finance costs allocated to capital	-	-	-	-	(1,513)	-	-
Share buybacks for cancellation	-	23	-	(398)	-	-	-
Dividend paid	-	-	-	-	-	-	(5,875)
Retained revenue for the year	-	-	-	-	-	-	6,252
Closing balance	7	23	3	96,807	82,290	37,305	7,215

The Company's articles of association permit dividend distributions out of realised capital profits.

¹These reserves are not distributable.

²These are realised (distributable) capital reserves which may be used to repurchase the Company's own shares or distributed as dividends.

³This reserve comprises holding gains on liquid investments (which may be deemed to be realised) and other amounts which are unrealised. An analysis has not been made between those amounts that are realised (and may be distributed as dividends or used to repurchase the Company's own shares) and those that are unrealised.

⁴The revenue reserve may be distributed as dividends or used to repurchase the Company's own shares.

16. Net asset value per share

	2020	2019
Net assets attributable to shareholders (£'000)	236,128	273,812
Shares in issue at the year end	124,776,700	125,008,200
Net asset value per share	189.24p	219.04p

Notes to the Accounts

17. Transactions with the Manager

Under the terms of the AIFM Agreement, the Manager is entitled to receive a management fee, a marketing support fee and a company secretarial fee. Details of the AIFM agreement are given in the Directors' Report on page 21. Any investments in funds managed or advised by the Manager or any of its associated companies are excluded from the assets used for the purpose of the management fee calculation and therefore incur no fee.

The management fee payable in respect of the year ended 31 July 2020 amounted to £1,881,000 (2019: £2,139,000), of which £426,000 (2019: £544,000) was outstanding at the year end. The marketing support fee payable to the Manager amounted to £50,000 (2019: £50,000) of which £13,000 (2019: £13,000) was outstanding at the year end. The company secretarial fee payable to the Manager amounted to £90,000 (2019: £90,000) of which £23,000 (2019: £23,000) was outstanding at the year end.

18. Related party transactions

Details of the remuneration payable to Directors are given in the Remuneration Report on page 30, as are details of Directors' shareholdings, on page 30. Details of transactions with the Manager are given in note 17 above. There have been no other transactions with related parties during the year (2019: nil).

19. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio. The Company currently holds no derivative financial instruments.

FRS 102 requires financial instruments to be categorised into a hierarchy consisting of the three levels below.

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

Level 2 – valued using observable inputs other than quoted prices included within Level 1.

Level 3 – valued using inputs that are unobservable.

Details of the valuation techniques used by the Company are given in note 1(b) on page 43.

The following table sets out the fair value measurements using the FRS 102 hierarchy at 31 July:

	2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	268,080	-	-	268,080
	2019			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	297,076	10,677	-	307,753

Investments allocated to Level 2 are valued using unadjusted quoted prices, but in markets which are less active.

20. Financial instruments' exposure to risk and risk management policies

The investment objective is set out on the inside front cover of this report. In pursuing this objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets or a reduction in profits available for dividends.

These risks include market risk (comprising currency risk, interest rate risk and market price risk), liquidity risk and credit risk. The directors' policy for managing these risks is set out below. The board coordinates the Company's risk management policy.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

Notes to the Accounts

The Company's classes of financial instruments are as follows:

- investments in shares of Japanese companies which are held in accordance with the Company's investment objective;
- short-term debtors, creditors and cash arising directly from its operations; and
- a credit facility and a term loan with SMBC, the purpose of which are to manage working capital requirements and to gear the Company as appropriate.

(a) Market 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: currency risk, interest rate risk and market price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) to (iii) of this note, together with sensitivity analyses where appropriate. The board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The 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.

(i) Currency risk

The Company's functional currency and the currency in which it reports, is sterling. However the Company's assets, liabilities and income are almost entirely denominated in yen. As a result, movements in exchange rates will affect the sterling value of those items.

Management of currency risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the board, which meets on at least four occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the yen/sterling exchange rate. It is currently not the Company's policy to actively hedge against currency risk. However any yen denominated borrowing acts to reduce the exposure of the Company's portfolio to the yen/sterling exchange rate.

Income is converted to sterling on receipt. The Company may use short-term forward currency contracts to manage working capital requirements.

Foreign currency exposure

The fair value of the Company's monetary items that have exposure to the yen at 31 July are shown below. The Company's investments (which are not monetary items) have been included separately in the analysis so as to show the overall level of exposure.

	2020 £'000	2019 £'000
Debtors (securities sold awaiting settlement, dividends and interest receivable)	1,621	1,083
Cash at bank and in hand	6,137	5,910
Creditors (securities purchased awaiting settlement)	(1,595)	(647)
Bank loans (including accrued interest payable)	(43,248)	(45,143)
Foreign currency exposure on net monetary items	(37,085)	(38,797)
Investments held at fair value through profit or loss that are equities	268,080	307,753
Total net foreign currency exposure	230,995	268,956

The above year end amounts are broadly representative of the exposure to foreign currency risk during the current and comparative year.

Foreign currency sensitivity

The following tables illustrate the sensitivity of return after taxation for the year and net assets with regard to the Company's monetary financial assets, financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and assumes a 10% (2019: 10%) appreciation or depreciation in sterling against the yen, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

Notes to the Accounts

If sterling had weakened by 10% this would have had the following effect:

	2020 £'000	2019 £'000
Income statement – return after taxation		
Revenue return	737	726
Capital return	(3,728)	(3,901)
Total return after taxation for the year	(2,991)	(3,175)
Net assets	(2,991)	(3,175)

Conversely if sterling had strengthened by 10% this would have had the following effect:

	2020 £'000	2019 £'000
Income statement – return after taxation		
Revenue return	(737)	(726)
Capital return	3,728	3,901
Total return after taxation for the year	2,991	3,175
Net assets	2,991	3,175

In the opinion of the Directors, the above sensitivity analysis is broadly representative of the current and comparative year.

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on variable rate borrowings when interest rates are re-set.

Management of interest rate risk

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The Company's gearing policy is to limit gearing to 25% where gearing is defined as borrowings used for investment purposes, less cash expressed as a percentage of net assets.

The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when the Company borrows on the credit facility. However, amounts drawn down on this facility are for short-term periods and therefore exposure to interest rate risk is not significant. The Company's three year term loan carries a fixed rate of interest and therefore does not give rise to any interest rate risk.

Interest rate exposure

The exposure of financial assets and financial liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below:

	2020 £'000	2019 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	11,814	11,414
Total exposure	11,814	11,414

Interest receivable on cash balances is at a margin below LIBOR (2019: same).

The Company has a credit facility arrangement with SMBC. Under the terms of the agreement, the Company may draw down up to yen 2.0 billion or the equivalent in another currency as agreed with SMBC. Interest is payable at a rate of LIBOR as quoted in the market for the relevant currency and loan period, plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. The facility has not been utilised in the current or prior year.

Notes to the Accounts

The above year end amounts are not representative of the exposure to interest rates during the year as the level of cash balances has fluctuated. The maximum and minimum exposure during the year was as follows:

	2020 £'000	2019 £'000
Minimum credit interest rate exposure during the year – net cash	9,213	3,081
Maximum credit interest rate exposure during the year – net cash	15,720	11,414

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1.0% (2019: 1.0%) increase or decrease in interest rates. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the accounting date and which are exposed to interest rate movements, with all other variables held constant.

	2020		2019	
	1.0% increase in rate £'000	1.0% decrease in rate £'000	1.0% increase in rate £'000	1.0% decrease in rate £'000
Income statement – return after taxation				
Revenue return	118	(118)	114	(114)
Capital return	-	-	-	-
Total return after taxation	118	(118)	114	(114)
Net assets	118	(118)	114	(114)

In the opinion of the directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances and drawings on the credit facility.

(iii) Market price risk

Market price risk includes changes in market prices, other than those arising from interest rate risk, which may affect the value of the Company's investments.

Management of market price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

Market price risk exposure

The Company's total exposure to changes in market prices at 31 July comprised its portfolio of investments as follows:

	2020 £'000	2019 £'000
Investments held at fair value through profit or loss	268,080	307,753

The above data is broadly representative of the exposure to market price risk during the year.

Concentration of exposure to market price risk

An analysis of the Company's investments is given on page 9. The portfolio comprises securities listed on Japanese stock markets. Accordingly there is a concentration of exposure to that country. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of listing.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2019: 10%) in the fair values of the Company's investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's exposure to market price risk through its portfolio of investments and includes the impact on the management fee but assumes all other variables are held constant.

Notes to the Accounts

	2020		2019	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	(52)	52	(60)	60
Capital return	26,686	(26,686)	30,635	(30,635)
Total return after taxation and net assets	26,634	(26,634)	30,575	(30,575)
Percentage change in net asset value	11.3%	(11.3%)	11.2%	(11.2%)

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. Short-term flexibility is achieved through the use of a credit facility. The board's policy is for the Company to remain fully invested in normal market conditions and that the credit facility be used to manage working capital requirements and to gear the Company as appropriate.

Liquidity risk exposure

Contractual maturities of financial liabilities, based on the earliest date on which payment can be required are as follows:

	Within one year £'000	2020 One to two years £'000	Total £'000	Within one year £'000	2019 Two to three years £'000	Total £'000
Creditors: amounts falling due within one year						
Securities purchased awaiting settlement	1,595	-	1,595	647	-	647
Other creditors and accruals	566	-	566	673	-	673
Interest on term loan	288	-	288	301	-	301
Creditors: amounts falling due after more than one year						
Term loan – including interest	-	43,366	43,366	-	45,555	45,555
	2,449	43,366	45,815	1,621	45,555	47,176

(c) Credit risk

Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Company.

Management of credit risk

This risk is not significant and is managed as follows:

Portfolio dealing

The Company invests in markets that operate a "Delivery Versus Payment" settlement process which mitigates the risk of losing the principal of a trade during settlement. The Manager continuously monitors dealing activity to ensure best execution, which involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparties must be pre-approved by the Manager's credit committee.

Exposure to the Custodian

The Custodian of the Company's assets is HSBC Bank plc which has Long-Term Credit Ratings of AA- with Fitch and Aa3 with Moody's. The Company's investments are held in accounts which are segregated from the Custodian's own trading assets. If the Custodian were to become insolvent, the Company's right of ownership of its investments is clear and they are therefore protected. However the Company's cash balances are all deposited with the Custodian as banker and held on the Custodian's balance sheet.

Notes to the Accounts

Accordingly, in accordance with usual banking practice, the Company will rank as a general creditor to the Custodian in respect of cash balances.

Credit risk exposure

The following amounts shown in the Statement of Financial Position, represent the maximum exposure to credit risk at the current and comparative year end.

	2020		2019	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Fixed assets				
Investments held at fair value through profit or loss	268,080	-	307,753	-
Current assets				
Debtors – securities sold awaiting settlement, dividends and interest receivable and other debtors	1,643	1,643	1,108	1,108
Cash at bank and in hand	11,814	11,814	11,414	11,414
	281,537	13,457	320,275	12,522

No debtors are past their due date and no provision has been made for impairment.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either carried at fair value or the amount in the Statement of Financial Position is a reasonable approximation of fair value.

21. Capital management policies and procedures

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

The Company's debt and capital structure comprises the following:

	2020 £'000	2019 £'000
Debt		
Bank loan	43,237	45,132
Equity		
Called-up share capital	12,478	12,501
Reserves	223,650	261,311
	236,128	273,812
Total debt and equity	279,365	318,944

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the capital return to shareholders through an appropriate level of gearing. The board's policy is to limit gearing to 25%. Gearing for this purpose is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

	2020 £'000	2019 £'000
Borrowings used for investment purposes, less cash	31,423	33,718
Net assets	236,128	273,812
Gearing	13.3%	12.3%

The board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Manager's views on the market;
- the need to buy back shares for cancellation, which takes into account the share price discount;
- the opportunity for issues of new shares; and
- the level of dividend distribution in excess of that which is required to be distributed.

Annual General Meeting – Recommendations

The Annual General Meeting (“AGM”) of the Company will be held on Monday, 23 November 2020 at 12.00 p.m. The formal Notice of Meeting is set out on page 57.

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your ordinary shares in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

COVID-19 and the AGM

In light of the rapidly evolving situation and government guidance regarding the outbreak of COVID-19, the board has taken the decision to alter the format of the Company's AGM. The safety and security of our shareholders, service providers, officers, and guests is of paramount importance to us. As permitted in the Corporate Insolvency and Governance Act 2020, the board has taken the decision that shareholders will not be allowed to attend the AGM in person but instead are asked to vote by proxy, appointing the chair of the meeting as their proxy.

Ordinary business

Resolutions 1 to 11 are all ordinary resolutions. Resolution 1 is a required resolution. Resolution 2 invites shareholders to approve the final dividend. Resolutions 3 and 4 concern the Directors' Remuneration Policy and Remuneration Report, on pages 29 to 31. Resolutions 5 to 8 invite shareholders to re-elect each of the directors for another year, following the recommendations of the Nomination Committee, set out on pages 27 and 28 (their biographies are set out on pages 19 and 20). Resolutions 9 and 10 concern the re-appointment and remuneration of the Company's auditor, discussed in the Audit and Risk Committee Report on pages 24 and 25.

Special business

Resolution 11: Directors' authority to allot shares (ordinary resolution) and Resolution 12: power to disapply pre-emption rights (special resolution)

The directors are seeking authority to allot a limited number of unissued ordinary shares for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures.

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the directors to allot shares up to a maximum aggregate nominal amount of £623,033 (being 5% of the issued share capital as at the date of the Notice of the AGM). A special resolution will also be proposed to give the directors authority to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £623,033 (being 5% of the Company's issued share capital as at the date of the Notice of the AGM).

The directors do not intend to allot shares pursuant to these authorities other than to take advantage of opportunities in the

market as they arise and only if they believe it to be advantageous to the Company's existing shareholders to do so and when it would not result in any dilution of NAV per share.

If approved, both of these authorities will expire at the conclusion of the AGM in 2021 unless renewed, varied or revoked earlier.

Resolution 13: authority to make market purchases of the Company's own shares (special resolution)

At the AGM held on 6 November 2019, the Company was granted authority to make market purchases of up to 18,738,729 ordinary shares of 10p each for cancellation. 401,666 shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 18,337,063 ordinary shares. This authority will expire at the forthcoming AGM.

The directors believe 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 NAV and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at the date of the Notice of the AGM. The directors will exercise this authority only 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. Any shares so purchased would be cancelled. If renewed, the authority to be given at the 2020 AGM will lapse at the conclusion of the AGM in 2021 unless renewed, varied or revoked earlier.

Recommendations

The board considers that the resolutions relating to the above items of special business are in the best interests of shareholders as a whole. Accordingly, the board unanimously recommends to shareholders that they vote in favour of the above resolutions and the other resolutions to be proposed at the forthcoming AGM, as they intend to do in respect of their own beneficial holdings.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Schroder Japan Growth Fund plc will be held on Monday, 23 November 2020 at 12.00 p.m. at **1 London Wall Place, London EC2Y 5AU** to consider the following resolutions of which resolutions 1 to 11 will be proposed as ordinary resolutions and resolutions 12 and 13 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 31 July 2020.
2. To approve a final dividend of 4.90p per share for the year ended 31 July 2020.
3. To approve the Directors' Remuneration Policy.
4. To approve the Directors' Remuneration Report for the year ended 31 July 2020.
5. To approve the election of Angus Macpherson as a director of the Company.
6. To approve the re-election of Anja Balfour as a director of the Company.
7. To approve the re-election of Alan Gibbs as a director of the Company.
8. To approve the re-election of Belinda Richards as a director of the Company.
9. To re-appoint Deloitte LLP as auditors to the Company.
10. To authorise the directors to determine the remuneration of Deloitte LLP as auditors to the Company.
11. To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"THAT in substitution for all existing authorities the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £623,033 (being 5% of the issued ordinary share capital, excluding shares held in treasury, at the date of this Notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the board may allot relevant securities in pursuance of that offer or agreement."

12. To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, subject to the passing of Resolution 11 set out above, the directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said Resolution 11 and/or where such allotment constitutes an

allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(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 £623,033 (representing 5% of the aggregate nominal amount of the share capital in issue at the date of this Notice); and provided that this power shall expire at the conclusion 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."

13. 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 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 10p each in the capital of the Company ("Share") at whatever discount the prevailing market price represents to the prevailing net asset value per Share provided that:

- (a) the maximum number of Shares which may be purchased is 18,678,519, representing 14.99% of the Company's issued ordinary share capital as at the date of this Notice;
- (b) the maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of;
 - i) 105% of the average of the middle market quotations for the Shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and
 - ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;
- (c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 10p, being the nominal value per Share;
- (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2021 (unless previously renewed, varied or revoked by the Company prior to such date);
- (e) the Company may make a contract to purchase Shares under the authority hereby conferred 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; and
- (f) any Shares so purchased will be cancelled."

By order of the board
For and on behalf of
Schroder Investment Management Limited
Registered number: 02930057

20 October 2020

Registered Office:
1 London Wall Place,
London EC2Y 5AU

Explanatory Notes to the Notice of Meeting

1. 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 0800 032 0641 or +44(0) 121 415 0207 for overseas callers, 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.

On a vote by show of hands, every ordinary shareholder who is present in person has one vote and every duly appointed proxy who is present has one vote. On a poll vote, every ordinary shareholder who is present in person or by way of a proxy has one vote for every share of which he/she is a holder.

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 6DA, 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. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically, will need to enter the Voting ID, Task ID and Shareholder Reference Number set out in their personalised proxy form. Alternatively, shareholders who have already

registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk using their user ID and password. Once logged in, click "view" on the "My Investments" page, click on the link to vote, then follow the on-screen instructions. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 12.00 p.m. on 19 November 2020. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 (or +44(0) 121 415 0207 for overseas callers).

If an ordinary shareholder submits more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence.

Shareholders may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents to communicate with the Company for any purposes other than expressly stated.

Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the Annual General Meeting.

2. 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 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.
3. 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 6.30 p.m. on 19 November 2020, or 6.30 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 6.30 p.m. on 19 November 2020 shall be disregarded in determining the right of any person to attend and vote at the meeting.
 4. 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. The CREST manual can be viewed at www.euroclear.com. 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 (ID RA19) by the latest time for receipt of proxy appointments.

Explanatory Notes to the Notice of Meeting

5. 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.
6. The biographies of the directors offering themselves for election and re-election are set out on pages 19 and 20 of the Company's annual report and accounts for the year ended 31 July 2020.
7. As at 16 October 2020, 124,606,534 ordinary shares of 10 pence each were in issue (no shares were held in treasury). Therefore the total number of voting rights of the Company as at 16 October 2020 was 124,606,534.
8. A copy of this notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available from the Company's webpages, www.schroders.co.uk/jpangrowth.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the Annual General Meeting which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Definitions of Terms and Performance Measures

The terms and performance measures below are those commonly used by investment companies to assess values, investment performance and operating costs. Some of the financial measures below are classified as Alternative Performance Measures, as defined by the European Securities and Markets Authority, and some numerical calculations are given for those.

Net asset value ("NAV") per share

The NAV per share of 189.24p (2019: 219.04p) represents the net assets attributable to equity shareholders of £236,128,000 (2019: £273,812,000) divided by the number of shares in issue of 124,776,700 (2019: 125,008,200).

The change in the NAV amounted to -13.6% (2019: -6.3%) over the year. However this performance measure excludes the positive impact of dividends paid out by the Company during the year. When these dividends are factored into the calculation, the resulting performance measure is termed the "total return". Total return calculations and definitions are given below.

Total return

The combined effect of any dividends paid, together with the rise or fall in the share price or NAV per share. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either the assets of the Company at its NAV per share at the time the shares were quoted ex-dividend (to calculate the NAV per share total return) or in additional shares of the Company (to calculate the share price total return).

The NAV total return for the year ended 31 July 2020 is calculated as follows:

Opening NAV at 31/7/19	219.04p		
Closing NAV at 31/7/20	189.24p		
Dividend received	XD date	NAV on XD date	Factor
4.70p	17/10/19	214.96p	1.0219
NAV total return, being the closing NAV, multiplied by the factor, expressed as a percentage increase in the opening NAV:			-11.7%

The share price total return for the year ended 31 July 2020 is calculated as follows:

Opening share price at 31/7/19	190.50p		
Closing share price at 31/7/20	161.50p		
Dividend received	XD date	Share price on XD date	Factor
4.70p	17/10/19	186.50p	1.0252
Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage increase in the opening share price:			-13.1%

Benchmark

The measure against which the Company compares its performance. The Benchmark is the TSE First Section Total Return Index in sterling terms.

Discount/premium

The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. The discount or premium is expressed as a percentage of the NAV per share. The discount at the year end amounted to 14.7% (2019: 13.0%), as the closing share price at 161.50p (2019: 190.50p) was 14.7% (2019: 13.0%) lower than the closing NAV of 189.24p (2019: 219.04p).

Gearing

The gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) which the Company has drawn down and invested in the market. This figure is indicative of the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. This represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets. The gearing figure at the year end is calculated as follows:

	2020 £'000	2019 £'000
Borrowings used for investment purposes, less cash	31,423	33,718
Net assets	236,128	273,812
Gearing	13.3%	12.3%

Leverage

For the purpose of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as the ratio of the Company's exposure to its net asset value and is required to be calculated both on a "Gross" and a "Commitment" method. Under the Gross method, exposure represents the sum of the absolute values of all positions, so as to give an indication of overall exposure. Under the Commitment method, exposure is calculated in a similar way, but after netting off hedges which satisfy certain strict criteria.

Ongoing Charges

Ongoing Charges represents the management fee and all other operating expenses excluding finance costs and transaction costs, amounting to £2,433,000 (2019: £2,758,000), expressed as a percentage of the average daily net asset values during the year of £263.2 million (2019: £268.7 million).

Shareholder Information

Webpages and share price information

The Company has dedicated webpages, which may be found at www.schroders.co.uk/japangrowth. The webpages have been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's ordinary share price and copies of annual reports 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 webpages contain 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".

The Company releases its NAV 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 the Company's webpages.

Association of Investment Companies

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

Individual Saving Account ("ISA") status

The Company's shares are eligible for stocks and shares ISAs.

Non-Mainstream Pooled Investments status

The Company currently conducts its affairs so that its shares can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Financial calendar

Half year results announced	March
Financial year end	31 July
Annual results announced	October
Final dividend paid	November
Annual General Meeting	November

Alternative Investment Fund Managers ("AIFM") Directive

Certain pre-sale, regular and periodic disclosures required by the AIFM Directive may be found either in this annual report or on the Company's webpages.

The Company's leverage policy and details of limits on leverage required under the AIFM Directive are published on the Company's webpages.

Leverage

The Company's leverage policy and details of its leverage ratio calculation and exposure limits as required by the AIFM Directive are published on the Company's webpages and within this report. The Company is also required to publish periodically its actual leverage exposures. As at 31 July 2020 these were:

Leverage exposure	Maximum ratio	Actual ratio
Gross method	2.0	1.3
Commitment method	2.0	1.3

Illiquid assets

As at the date of this report, none of the Company's assets are subject to special arrangements arising from their illiquid nature.

Remuneration disclosures

Quantitative remuneration disclosures to be made in this annual report in accordance with FCA Handbook rule FUND3.3.5 may also be found in the Company's AIFM Directive information disclosure document published on the Company's webpages.

Publication of Key Information Document ("KID") by the AIFM

Pursuant to the Packaged Retail and Insurance Based Products ("PRIIPs") Regulation, the Manager, as the Company's AIFM, is required to publish a short KID on the Company. KIDs are designed to provide certain prescribed information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID is available on its webpages.

Directors

Anja Balfour (Chairman)
Alan Gibbs
Angus Macpherson
Belinda Richards

Advisers

Alternative Investment Fund Manager ("Manager")

Schroder Unit Trusts Limited
1 London Wall Place
London EC2Y 5AU

Investment Manager and Company Secretary

Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU
Telephone: 020 7658 3847

Registered Office

1 London Wall Place
London EC2Y 5AU

Depository and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lending Bank

Sumitomo Banking Corporation Europe Limited
99 Queen Victoria Street
London EC4V 4EH

Corporate Broker

Winterflood Securities Limited
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

Independent Auditor

Deloitte LLP
2 New Street Square
London EC4A 3BZ

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder Helpline 0800 032 0641*
Website: www.shareview.co.uk
*Calls to this number are free of charge from UK
landlines.

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 the address above.

Shareholder enquiries

General enquiries about the Company should be addressed to the Company Secretary at the address set out above.

Dealing Codes

ISIN: GB0008022849
SEDOL: 0802284
Ticker: SJG

Global Intermediary Identification Number (GIIN)

7T0909.99999.SL.8 26

Legal Entity Identifier (LEI)

549300SSPK3AXNJOC673

The Company's privacy notice is
available on its webpage.