

# Schroder Japan Growth Fund plc

Half Year Report and Accounts for the six months ended 31 January 2017



Schroders

# Contents, Investment Objective and Policy

## Contents

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## Investment objective

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

## Investment policy

The Manager utilises an active stock driven investment approach, drawing on Schroders' 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.

# Financial Highlights

|   | <b>For the six months<br/>ended 31 January 2017</b> |
|---|---|
| <b>Total returns (including dividends reinvested)<sup>1</sup></b> |   |
| Net asset value ("NAV") per share <sup>2</sup>                    | <b>17.6%</b>  |
| Share price <sup>2</sup>  | <b>20.5%</b>  |
| Benchmark <sup>3</sup>  | <b>11.7%</b>  |

<sup>1</sup>Total return calculations assume that any dividends paid out during the period were reinvested.

<sup>2</sup>Source: Morningstar.

<sup>3</sup>Source: Thomson Reuters. The Company's benchmark is the TSE First Section Total Return Index (in sterling terms).

| <b>Other financial information</b>    | <b>31 January<br/>2017</b> | <b>31 July<br/>2016</b> | <b>% Change</b> |
|---------------------------------------|----------------------------|-------------------------|-----------------|
| Shareholders' funds (£'000)           | <b>262,919</b>             | 226,688                 | +16.0           |
| Shares in issue                       | <b>125,008,200</b>         | 125,008,200             | –               |
| NAV per share                         | <b>210.32p</b>             | 181.34p                 | +16.0           |
| Share price                           | <b>192.00p</b>             | 162.00p                 | +18.5           |
| Share price discount to NAV per share | <b>8.7%</b>                | 10.7%                   |                 |
| Gearing <sup>1</sup>                  | <b>10.7%</b>               | 12.1%                   |                 |

<sup>1</sup>Gearing represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets.



# Interim Management Report – Chairman’s Statement

## Performance

The six-month period to 31 January 2017 has seen improved performance from the Japanese stock market, with the benchmark producing a total return of 11.7%. In addition, the Company comfortably outperformed the benchmark during the period, producing a total return of 17.6%. As investor sentiment towards Japan improved, the discount narrowed from 10.7% at the start of the period to 8.7% at its close and the share price produced a total return of 20.5%.

Further performance details are set out in the Manager’s Review on page 3.

## Gearing policy

The Company has in place a ¥6 billion term loan expiring in 2019 and a ¥1 billion revolving credit facility, the latter which remained undrawn as at 31 January 2017. The gearing continues to be operated within the limits agreed by the Board. At the beginning of the period, the gearing (borrowings less cash expressed as a percentage of net assets) stood at 12.1% and the level had decreased to 10.7% at 31 January 2017.

## Outlook

The Company achieved a small but historically important moment last month, when the share price hit £2 for the first time. That it has taken over two decades for the price to double is hardly a triumph for Japan’s stock market; the Manager has added value relative to the local index, but otherwise it is a reminder of how long the economy has been entangled in the after-effects of the 1980-90s boom/bust.

How long will it take for the share price to double again? So much of the appeal of the market now lies in the word ‘potential’ – what could happen to profits if inflation and economic growth return to more ‘normal’ levels, what could happen to returns on equity if companies continue with their newfound enthusiasm for ‘shareholder value’, or what could happen if local investors commit material amounts to the market? Not all of these will happen soon, if at all, and there are obvious challenges internationally, but Japan’s appeal today is that much of its potential is in its own hands.

**Jonathan Taylor**

Chairman

5 April 2017

# Interim Management Report – Manager’s Review

## Market background

The market rose a healthy 16.2% in local currency as it gradually recovered from the macro shocks of the first half of 2016 (negative interest rates and Brexit) and then received additional impetus from the US presidential election, which engendered optimism about global growth. Events in the US also served as a trigger to stem the rise in the yen against sterling and the small depreciation of the currency meant that the market’s sterling return was a lower 11.7%.

The economic backdrop improved internationally and domestically. Economic policy was also largely supportive with announcements of a fiscal package by the government and a new monetary policy framework by the Bank of Japan. This framework has at its core “yield curve control” which fixes 10 year bond yields at around 0%. The fact that negative short term interest rates (an unpopular policy) were not taken deeper into negative territory was positive for sentiment. At the same time fixing long term interest rates at a time of rising US dollar yields had the effect of reversing the yen’s appreciation and, as a result, improving prospects for corporate profits.

The turnaround in economic and interest rate expectations had a marked impact on sector and style preferences within the market over the six months. Specifically, having lagged over the previous 12 months as “risk off” sentiment dominated, cyclicals and financials rebounded strongly and the previously popular domestic defensive sectors reversed course. This was also reflected in value outperforming growth and the broader market. For example energy, financial and shipping sectors were amongst the best performing sectors and pharmaceuticals and food were amongst the worst.

The Company’s NAV total return was 17.6% in sterling, significantly ahead of the benchmark’s 11.7% rise. Gearing contributed to outperformance given the strong underlying market. Stock selection was also beneficial, especially holdings in financials and energy, which more than offset negative contributions in telecoms and pharmaceuticals.

## Activity

Profits were taken in some cyclicals and technology holdings such as Nitto Denko, Hitachi Hi-Tec and Sumitomo Heavy Industries. Within the trading company sector, where the exposure is overweight, we switched the holding in Sumitomo Corporation into Itochu. Valuations were similarly cheap but Itochu had less risk of impairment losses. A small position in Topcon was sold off and new positions started in Recruit Holdings (operator of staffing and marketing websites), Jafco (venture capital specialist) and HIS (travel agent).

## Outlook

An upturn in global growth is historically positive for the Japanese stock market. This time round seems no different with the important caveat that improved sentiment is in part due to President Trump’s policies, implementation of which carries above average uncertainty. More tantalising for long term investors in Japan is the prospect of a sustained emergence from deflation which four years of Abenomics has still failed to achieve. There are grounds for cautious optimism here given developments in the labour market. Economic policy is broadly supportive of the stock market and its direction is characterised by greater consistency than is apparent in other developed economies. Meanwhile company profits are benefiting from the manufacturing cycle and weaker yen after a challenging 2016. The direction of corporate governance is positive notwithstanding a few high profile examples of the opposite. By and large Japan’s stock market rally has been matched by improved profits with the result that valuations, whilst not outstandingly cheap in aggregate, cannot be described as especially stretched either. So whilst risks exist in terms of the evolution of President Trump’s policies, their impact on the exchange rate and possible policy errors in Japan, on balance prospects appear favourable and, reflecting this, the Company is moderately geared (10.7% at the end of January 2017).

# Interim Management Report – Manager’s Review

## Investment policy

In last year’s interim review we wrote that we were finding most attractive valuations in cyclical parts of the market, without having a clear view of what the catalyst might be for these areas to outperform. It remains the case that we prefer cyclicals although they are less cheap and more widely recognised as benefiting from current developments. However, whereas last year we found it near impossible to find attractive valuations in low volatility, domestic defensive areas, this is less so now and we are making some additions to holdings in pharmaceuticals and retail. Within cyclicals we have taken profits in some of the internationally exposed high flyers where we are less confident of the quality of the businesses long term and are favouring higher quality cyclicals or more domestically facing names. Real Estate is an example of the latter and a sector which has continued to lag. We are maintaining our overweight position in financials, favouring insurance, in the belief that evolution of the slope of the yield curve will be beneficial.

**Schroder Investment Management Limited**

5 April 2017

# Interim Management Report – Investment Portfolio

As at 31 January 2017

Stocks in bold are the 20 largest investments, which by value account for 49.8% (31 July 2016: 50.8% and 31 January 2016: 50.2%) of total investments.

|                                       | £'000         | %           |  | £'000         | %          |
|---------------------------------------|---------------|-------------|--|---------------|------------|
| <b>Transportation Equipment</b>       |               |             | <b>Wholesale Trade</b>                     |               |            |
| <b>Toyota Motor</b>                   | <b>13,633</b> | <b>4.6</b>  | <b>Mitsui &amp; Co.</b>                    | <b>7,600</b>  | <b>2.5</b> |
| <b>Hi-Lex</b>                         | <b>7,725</b>  | <b>2.7</b>  | Yamada Denki                               | 3,940         | 1.4        |
| <b>Isuzu Motors</b>                   | <b>4,635</b>  | <b>1.6</b>  | Inabata                                    | 3,810         | 1.3        |
| Honda Motor                           | 4,061         | 1.4         | Itochu                                     | 2,005         | 0.7        |
| Unipres                               | 2,477         | 0.9         | Hitachi High-Technologies                  | 1,309         | 0.4        |
| Musashi Seimitsu Industry             | 1,425         | 0.5         | Mitsubishi                                 | 941           | 0.3        |
| <b>Total Transportation Equipment</b> | <b>33,956</b> | <b>11.7</b> | <b>Total Wholesale Trade</b>               | <b>19,605</b> | <b>6.6</b> |
| <b>Electrical Appliances</b>          |               |             | <b>Information and Communication</b>       |               |            |
| <b>TDK</b>                            | <b>6,465</b>  | <b>2.2</b>  | <b>KDDI</b>                                | <b>9,440</b>  | <b>3.2</b> |
| <b>Koito Manufacturing</b>            | <b>5,159</b>  | <b>1.8</b>  | <b>Nippon Telephone and Telegraph</b>      | <b>8,861</b>  | <b>3.0</b> |
| Mitsubishi Electric                   | 4,408         | 1.5         | Chubu Nippon Broadcasting                  | 732           | 0.3        |
| Fujitsu                               | 3,832         | 1.3         | <b>Total Information and Communication</b> | <b>19,033</b> | <b>6.5</b> |
| Hitachi                               | 3,740         | 1.3         | <b>Insurance</b>                           |               |            |
| Canon                                 | 3,186         | 1.1         | <b>Sompo Japan Nipponkoa</b>               | <b>9,375</b>  | <b>3.2</b> |
| Nidec                                 | 2,501         | 0.9         | <b>T&amp;D Holdings</b>                    | <b>5,993</b>  | <b>2.0</b> |
| Screen                                | 1,944         | 0.7         | <b>Total Insurance</b>                     | <b>15,368</b> | <b>5.2</b> |
| Konica Minolta                        | 1,763         | 0.6         | <b>Machinery</b>                           |               |            |
| <b>Total Electrical Appliances</b>    | <b>32,998</b> | <b>11.4</b> | <b>Disco</b>                               | <b>5,043</b>  | <b>1.7</b> |
| <b>Banks</b>                          |               |             | Nabtesco                                   | 2,332         | 0.8        |
| <b>Sumitomo Mitsui Financial</b>      | <b>10,754</b> | <b>3.6</b>  | Sumitomo Heavy Industries                  | 2,118         | 0.7        |
| <b>Mitsubishi UFJ Financial</b>       | <b>5,977</b>  | <b>2.1</b>  | JTEKT                                      | 1,995         | 0.7        |
| Seventy Seven Bank                    | 2,320         | 0.8         | Nippon Thompson                            | 1,913         | 0.7        |
| Fukuoka Financial                     | 2,062         | 0.7         | Sankyo                                     | 800           | 0.3        |
| Chiba Bank                            | 1,019         | 0.3         | <b>Total Machinery</b>                     | <b>14,201</b> | <b>4.9</b> |
| Musashino Bank                        | 694           | 0.2         | <b>Pharmaceutical</b>                      |               |            |
| <b>Total Banks</b>                    | <b>22,826</b> | <b>7.7</b>  | <b>Santen Pharmaceutical</b>               | <b>4,913</b>  | <b>1.7</b> |
| <b>Chemicals</b>                      |               |             | Otsuka Holdings                            | 4,573         | 1.6        |
| <b>SK Kaken</b>                       | <b>5,912</b>  | <b>2.0</b>  | Astellas Pharma                            | 2,685         | 0.9        |
| Sekisui Chemical                      | 4,081         | 1.4         | Kissei Pharmaceuticals                     | 568           | 0.2        |
| Sakata Inx                            | 3,671         | 1.3         | <b>Total Pharmaceutical</b>                | <b>12,739</b> | <b>4.4</b> |
| Fujifilm Holdings                     | 2,637         | 0.9         | <b>Rubber Products</b>                     |               |            |
| T&K Toka                              | 1,686         | 0.6         | <b>Bridgestone</b>                         | <b>9,066</b>  | <b>3.1</b> |
| Nippon Shokubai                       | 1,335         | 0.5         | <b>Total Rubber Products</b>               | <b>9,066</b>  | <b>3.1</b> |
| Nitto Denko                           | 1,029         | 0.4         | <b>Construction</b>                        |               |            |
| Nippon Soda                           | 899           | 0.3         | Haseko                                     | 4,253         | 1.5        |
| <b>Total Chemicals</b>                | <b>21,250</b> | <b>7.4</b>  | JGC  | 2,942         | 1.0        |
| <b>Land Transportation</b>            |               |             | Sanki Engineering                          | 1,572         | 0.5        |
| <b>East Japan Railway</b>             | <b>8,689</b>  | <b>3.0</b>  | <b>Total Construction</b>                  | <b>8,767</b>  | <b>3.0</b> |
| <b>Sankyu</b>                         | <b>5,432</b>  | <b>1.9</b>  | <b>Air Transportation</b>                  |               |            |
| Hitachi Transport System              | 3,335         | 1.1         | <b>Japan Airlines</b>                      | <b>6,361</b>  | <b>2.2</b> |
| Central Japan Railway                 | 3,199         | 1.1         | <b>Total Air Transportation</b>            | <b>6,361</b>  | <b>2.2</b> |
| <b>Total Land Transportation</b>      | <b>20,655</b> | <b>7.1</b>  | <b>Non-Ferrous Metals</b>                  |               |            |
| <b>Retail Trade</b>                   |               |             | Dowa Mining                                | 3,145         | 1.1        |
| <b>Seven and I Holdings</b>           | <b>4,867</b>  | <b>1.7</b>  | Sumitomo Electric Industries               | 1,762         | 0.6        |
| AT Group                              | 4,338         | 1.5         | <b>Total Non-Ferrous Metals</b>            | <b>4,907</b>  | <b>1.7</b> |
| H2O Retailing                         | 2,718         | 0.9         | <b>Securities and Commodity</b>            |               |            |
| ABC-Mart                              | 2,585         | 0.9         | Nomura Holding                             | 2,872         | 1.0        |
| Nafco                                 | 2,106         | 0.7         | Tokai Tokyo Securities                     | 1,842         | 0.6        |
| Izumi                                 | 2,090         | 0.7         | <b>Total Securities and Commodity</b>      | <b>4,714</b>  | <b>1.6</b> |
| Don Quijote                           | 1,336         | 0.5         |  |               |            |
| <b>Total Retail Trade</b>             | <b>20,040</b> | <b>6.9</b>  |  |               |            |

# Interim Management Report – Investment Portfolio

As at 31 January 2017

|                                       | £'000        | %          |
|---------------------------------------|--------------|------------|
| <b>Precision Instruments</b>          |              |            |
| Hoya                                  | 2,432        | 0.8        |
| Shimadzu                              | 1,994        | 0.7        |
| <b>Total Precision Instruments</b>    | <b>4,426</b> | <b>1.5</b> |
| <b>Oil and Coal products</b>          |              |            |
| JX Holdings                           | 4,292        | 1.5        |
| <b>Total Oil and Coal products</b>    | <b>4,292</b> | <b>1.5</b> |
| <b>Real Estate</b>                    |              |            |
| Mitsui Fudosan                        | 2,641        | 0.9        |
| Nomura Real Estate                    | 1,506        | 0.5        |
| <b>Total Real Estate</b>              | <b>4,147</b> | <b>1.4</b> |
| <b>Other Financing Business</b>       |              |            |
| Hitachi Capital                       | 2,491        | 0.9        |
| Jafoo                                 | 1,112        | 0.4        |
| <b>Total Other Financing Business</b> | <b>3,603</b> | <b>1.3</b> |
| <b>Services</b>                       |              |            |
| Recruit                               | 1,299        | 0.4        |
| H.I.S.                                | 940          | 0.3        |
| <b>Total Services</b>                 | <b>2,239</b> | <b>0.7</b> |

|  | £'000          | %            |
|--|----------------|--------------|
| <b>Foods</b>   |                |              |
| Sapporo Breweries  | 1,750          | 0.6          |
| <b>Total Foods</b>   | <b>1,750</b>   | <b>0.6</b>   |
| <b>Marine Transportation</b>                                 |                |              |
| Mitsui O.S.K. Lines  | 1,179          | 0.4          |
| <b>Total Marine Transportation</b>                           | <b>1,179</b>   | <b>0.4</b>   |
| <b>Other Products</b>  |                |              |
| Nintendo   | 849            | 0.3          |
| <b>Total Other Products</b>                                  | <b>849</b>     | <b>0.3</b>   |
| <b>Iron and Steel</b>  |                |              |
| Mirai Industry   | 789            | 0.3          |
| <b>Total Iron and Steel</b>                                  | <b>789</b>     | <b>0.3</b>   |
| <b>Mining</b>  |                |              |
| Inpex  | 784            | 0.3          |
| <b>Total Mining</b>  | <b>784</b>     | <b>0.3</b>   |
| <b>Warehousing and Harbour Transportation Services</b>       |                |              |
| Kintetsu World Express                                       | 772            | 0.3          |
| <b>Total Warehousing and Harbour Transportation Services</b> | <b>772</b>     | <b>0.3</b>   |
| <b>Total investments</b>                                     | <b>291,316</b> | <b>100.0</b> |



# Interim Management Report

## Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following risk categories: strategic; investment management; financial and currency; gearing and leverage; accounting, legal and regulatory; custody; and service provider. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 14 and 15 of the Company's published Annual Report and Accounts for the year ended 31 July 2016. These risks and uncertainties have not materially changed during the six months ended 31 January 2017.

## Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 16 of the published Annual Report and Accounts for the year ended 31 July 2016, the Directors consider it appropriate to adopt the going concern basis in preparing the accounts.

## Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 31 January 2017.

## Directors' responsibility statement

The Directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and with the Statement of Recommended Practice, "Financial Statements of Investment Companies and Venture Capital Trusts" issued in November 2014 and updated in January 2017 and that this Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

# Income Statement

for the six months ended 31 January 2017 (unaudited)

|   | <b>(Unaudited) for the six months ended 31 January 2017</b> |                          |                        | (Unaudited) for the six months ended 31 January 2016 |                  |                | (Audited) for the year ended 31 July 2016 |                  |                |
|---|---|--------------------------|------------------------|--|------------------|----------------|---|------------------|----------------|
|   | <b>Revenue<br/>£'000</b>                                    | <b>Capital<br/>£'000</b> | <b>Total<br/>£'000</b> | Revenue<br>£'000                                     | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000                          | Capital<br>£'000 | Total<br>£'000 |
| Gains/(losses) on investments held at fair value through profit or loss | –   | <b>37,784</b>            | <b>37,784</b>          | –  | (6,912)          | (6,912)        | –   | 25,692           | 25,692         |
| Net foreign currency gains/(losses)                                     | –   | <b>953</b>               | <b>953</b>             | –  | (3,698)          | (3,698)        | –   | (11,102)         | (11,102)       |
| Income from investments   | <b>2,763</b>  | –                        | <b>2,763</b>           | 2,138  | –                | 2,138          | 5,588                                     | –                | 5,588          |
| Other interest receivable and similar income                            | –   | –                        | –                      | –  | –                | –              | 1   | –                | 1              |
| <b>Gross return/(loss)</b>  | <b>2,763</b>  | <b>38,737</b>            | <b>41,500</b>          | 2,138  | (10,610)         | (8,472)        | 5,589                                     | 14,590           | 20,179         |
| Investment management fee   | <b>(312)</b>  | <b>(729)</b>             | <b>(1,041)</b>         | (254)  | (593)            | (847)          | (514)                                     | (1,198)          | (1,712)        |
| Administrative expenses   | <b>(265)</b>  | –                        | <b>(265)</b>           | (289)  | –                | (289)          | (531)                                     | –                | (531)          |
| <b>Net return/(loss) before finance costs and taxation</b>              | <b>2,186</b>  | <b>38,008</b>            | <b>40,194</b>          | 1,595  | (11,203)         | (9,608)        | 4,544                                     | 13,392           | 17,936         |
| Finance costs   | <b>(56)</b>   | <b>(131)</b>             | <b>(187)</b>           | (36)   | (84)             | (120)          | (87)                                      | (203)            | (290)          |
| <b>Net return/(loss) on ordinary activities before taxation</b>         | <b>2,130</b>  | <b>37,877</b>            | <b>40,007</b>          | 1,559  | (11,287)         | (9,728)        | 4,457                                     | 13,189           | 17,646         |
| Taxation on ordinary activities (note 3)                                | <b>(276)</b>  | –                        | <b>(276)</b>           | (213)  | –                | (213)          | (559)                                     | –                | (559)          |
| <b>Net return/(loss) on ordinary activities after taxation</b>          | <b>1,854</b>  | <b>37,877</b>            | <b>39,731</b>          | 1,346  | (11,287)         | (9,941)        | 3,898                                     | 13,189           | 17,087         |
| <b>Return/(loss) per share (note 4)</b>                                 | <b>1.48p</b>  | <b>30.30p</b>            | <b>31.78p</b>          | 1.08p  | (9.03)p          | (7.95)p        | 3.12p                                     | 10.55p           | 13.67p         |

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 items of other comprehensive income, and therefore the net return on ordinary activities after taxation is also the total comprehensive income for the period.

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

# Statement of Changes in Equity

for the six months ended 31 January 2017 (unaudited)

|                                      | Called-up<br>share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Warrant<br>exercise<br>reserve<br>£'000 | Share<br>purchase<br>reserve<br>£'000 | Capital<br>reserves<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>£'000 |
|--------------------------------------|--|---------------------------|---|---------------------------------------|------------------------------|-----------------------------|----------------|
| At 31 July 2016                      | 12,501                                 | 7                         | 3                                       | 97,205                                | 112,881                      | 4,091                       | 226,688        |
| Net return on ordinary activities    | –                                      | –                         | –                                       | –                                     | 37,877                       | 1,854                       | 39,731         |
| Dividend paid in the period (note 5) | –                                      | –                         | –                                       | –                                     | –                            | (3,500)                     | (3,500)        |
| <b>At 31 January 2017</b>            | <b>12,501</b>                          | <b>7</b>                  | <b>3</b>                                | <b>97,205</b>                         | <b>150,758</b>               | <b>2,445</b>                | <b>262,919</b> |

for the six months ended 31 January 2016 (unaudited)

|  | Called-up<br>share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Warrant<br>exercise<br>reserve<br>£'000 | Share<br>purchase<br>reserve<br>£'000 | Capital<br>reserves<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>£'000 |
|--|--|---------------------------|---|---------------------------------------|------------------------------|-----------------------------|----------------|
| At 31 July 2015                          | 12,501                                 | 7                         | 3                                       | 97,205                                | 99,692                       | 2,693                       | 212,101        |
| Net (loss)/return on ordinary activities | –                                      | –                         | –                                       | –                                     | (11,287)                     | 1,346                       | (9,941)        |
| Dividend paid in the period (note 5)     | –                                      | –                         | –                                       | –                                     | –                            | (2,500)                     | (2,500)        |
| At 31 January 2016                       | 12,501                                 | 7                         | 3                                       | 97,205                                | 88,405                       | 1,539                       | 199,660        |

for the year ended 31 July 2016 (audited)

|                                    | Called-up<br>share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Warrant<br>exercise<br>reserve<br>£'000 | Share<br>purchase<br>reserve<br>£'000 | Capital<br>reserves<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>£'000 |
|------------------------------------|--|---------------------------|---|---------------------------------------|------------------------------|-----------------------------|----------------|
| At 31 July 2015                    | 12,501                                 | 7                         | 3                                       | 97,205                                | 99,692                       | 2,693                       | 212,101        |
| Net return on ordinary activities  | –                                      | –                         | –                                       | –                                     | 13,189                       | 3,898                       | 17,087         |
| Dividend paid in the year (note 5) | –                                      | –                         | –                                       | –                                     | –                            | (2,500)                     | (2,500)        |
| At 31 July 2016                    | 12,501                                 | 7                         | 3                                       | 97,205                                | 112,881                      | 4,091                       | 226,688        |

# Statement of Financial Position

at 31 January 2017 (unaudited)

|  | (Unaudited)<br>At 31 January<br>2017<br>£'000 | (Unaudited)<br>At 31 January<br>2016<br>£'000 | (Audited)<br>At 31 July<br>2016<br>£'000 |
|--|---|---|--|
| <b>Fixed assets</b>  |   |   |  |
| Investments held at fair value through profit or loss            | <b>291,316</b>                                | 229,615                                       | 254,114                                  |
| <b>Current assets</b>  |   |   |  |
| Debtors  | <b>579</b>                                    | 1,039   | 1,077                                    |
| Cash at bank and in hand   | <b>14,235</b>                                 | 5,301   | 16,565                                   |
|  | <b>14,814</b>                                 | 6,340   | 17,642                                   |
| <b>Current liabilities</b>                                       |   |   |  |
| Creditors: amounts falling due within one year                   | <b>(847)</b>                                  | (1,357)                                       | (973)                                    |
| <b>Net current assets</b>  | <b>13,967</b>                                 | 4,983   | 16,669                                   |
| <b>Total assets less current liabilities</b>                     | <b>305,283</b>                                | 234,598                                       | 270,783                                  |
| Creditors: amounts falling due after more than one year (note 6) | <b>(42,364)</b>                               | (34,938)                                      | (44,095)                                 |
| <b>Net assets</b>  | <b>262,919</b>                                | 199,660                                       | 226,688                                  |
| <b>Capital and reserves</b>                                      |   |   |  |
| Called-up share capital (note 7)                                 | <b>12,501</b>                                 | 12,501  | 12,501                                   |
| Share premium  | <b>7</b>                                      | 7   | 7  |
| Warrant exercise reserve   | <b>3</b>                                      | 3   | 3  |
| Share purchase reserve   | <b>97,205</b>                                 | 97,205  | 97,205                                   |
| Capital reserves   | <b>150,758</b>                                | 88,405  | 112,881                                  |
| Revenue reserve  | <b>2,445</b>                                  | 1,539   | 4,091                                    |
| <b>Total equity shareholders' funds</b>                          | <b>262,919</b>                                | 199,660                                       | 226,688                                  |
| <b>Net asset value per share (note 8)</b>                        | <b>210.32p</b>                                | 159.72p                                       | 181.34p                                  |

Registered in England and Wales

Company Registration number: 2930057

# Notes to the Accounts

## 1. Financial statements

The information contained within the accounts in this half year report has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 31 July 2016 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

## 2. Accounting policies

### Basis of accounting

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies in November 2014 and updated in January 2017.

All of the Company's operations are of a continuing nature.

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 July 2016.

## 3. Taxation on ordinary activities

The Company's effective corporation tax rate is nil, as deductible expenses exceed taxable income. The tax charge comprises irrecoverable overseas withholding tax.

## 4. Return/(loss) per share

|  | <b>(Unaudited)<br/>Six months<br/>ended<br/>31 January<br/>2017<br/>£'000</b> | (Unaudited)<br>Six months<br>ended<br>31 January<br>2016<br>£'000 | (Audited)<br>Year ended<br>31 July<br>2016<br>£'000 |
|--|---|---|---|
| Revenue return   | 1,854   | 1,346   | 3,898   |
| Capital return/(loss)  | 37,877  | (11,287)  | 13,189  |
| <b>Total return/(loss)</b>                                   | <b>39,731</b>   | <b>(9,941)</b>  | <b>17,087</b>                                       |
| Weighted average number of shares in issue during the period | <b>125,008,200</b>  | 125,008,200   | 125,008,200   |
| Revenue return per share                                     | <b>1.48p</b>  | 1.08p   | 3.12p   |
| Capital return/(loss) per share                              | <b>30.30p</b>   | (9.03)p   | 10.55p  |
| <b>Total return/(loss) per share</b>                         | <b>31.78p</b>   | <b>(7.95)p</b>  | <b>13.67p</b>                                       |

## 5. Dividends paid

|   | <b>(Unaudited)<br/>Six months<br/>ended<br/>31 January<br/>2017<br/>£'000</b> | (Unaudited)<br>Six months<br>ended<br>31 January<br>2016<br>£'000 | (Audited)<br>Year ended<br>31 July<br>2016<br>£'000 |
|---|---|---|---|
| 2016 final dividend paid of 2.80p (2015: 2.00p) | <b>3,500</b>  | 2,500   | 2,500   |

No interim dividend has been declared in respect of the year ending 31 July 2017 (2016: nil).



# Notes to the Accounts

## 6. Creditors: amounts falling due after more than one year

|           | <b>(Unaudited)</b><br><b>31 January</b><br><b>2017</b><br><b>£'000</b> | (Unaudited)<br>31 January<br>2016<br>£'000 | (Audited)<br>31 July<br>2016<br>£'000 |
|-----------|--|--|---------------------------------------|
| Bank loan | <b>42,364</b>  | 34,938                                     | 44,095                                |

The bank loan is a yen 6.0 billion three year term loan with Scotiabank, expiring on 18 January 2019, and carrying a fixed interest rate of 0.82% per annum.

## 7. Called-up share capital

|   | <b>(Unaudited)</b><br><b>31 January</b><br><b>2017</b><br><b>£'000</b> | (Unaudited)<br>31 January<br>2016<br>£'000 | (Audited)<br>31 July<br>2016<br>£'000 |
|---|--|--|---------------------------------------|
| Ordinary shares allotted, called up and fully paid: 125,008,200 ordinary shares of 10p each | <b>12,501</b>  | 12,501                                     | 12,501                                |

## 8. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue of 125,008,200 (31 January 2016 and 31 July 2016: same).

## 9. Financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio. At 31 January 2017, all investments in the Company's portfolio were categorised as Level 1 in accordance with the criteria set out in paragraph 34.22 (amended) of FRS 102. That is, they are all valued using unadjusted quoted prices in active markets for identical assets (31 July 2016 and 31 January 2016: same).

## 10. Events after the interim period that have not been reflected in the financial statements for the interim period

The Directors have evaluated the period since the end of the half year and have not noted any significant events which have not been reflected in the financial statements.



[www.schroders.co.uk/japangrowth](http://www.schroders.co.uk/japangrowth)

## Directors

Jonathan Taylor (Chairman)  
Anja Balfour  
Alan Gibbs  
Richard Greer

## Advisers

### Alternative Investment Fund Manager ("Manager")

Schroder Unit Trusts Limited  
31 Gresham Street  
London EC2V 7QA

### Investment Manager and Company Secretary

Schroder Investment Management Limited  
31 Gresham Street  
London EC2V 7QA  
Telephone: 020 7658 2356

### Registered Office

31 Gresham Street  
London EC2V 7QA

### Depositary and Custodian

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

### Lending Bank

Scotiabank Europe PLC  
201 Bishopsgate  
London EC2M 3NS

### Corporate Broker

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

### Registrar

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Shareholder Helpline 0800 032 0641\*  
Website: [www.shareview.co.uk](http://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.

### Independent Auditors

PricewaterhouseCoopers LLP  
Chartered Accountants  
and Statutory Auditors  
7 More London Riverside  
London SE1 2RT

Certain pre-sale, regular and periodic disclosures required by the AIFM Directive may be found on the website [www.schroders.co.uk/its](http://www.schroders.co.uk/its).

The Company's leverage policy and details of limits on leverage required under the AIFM Directive are published on the website at [www.schroders.co.uk/its](http://www.schroders.co.uk/its).

### Dealing Codes

ISIN Number: GB0008022849  
SEDOL Number: 0802284  
Ticker: SJG

### Global Intermediary Identification Number (GIIN)

7T0909.99999.SL.8 26

### Legal Entity Identifier (LEI)

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# Schroders