

Schroders

Schroder Japan Growth
Fund plc

Annual Report and Accounts

For the year ended
31 July 2019



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 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.





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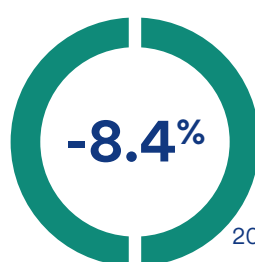
Financial Highlights

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 56 together with supporting calculations where appropriate.

Total returns* for the year ended 31 July 2019



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



Share price



Benchmark¹

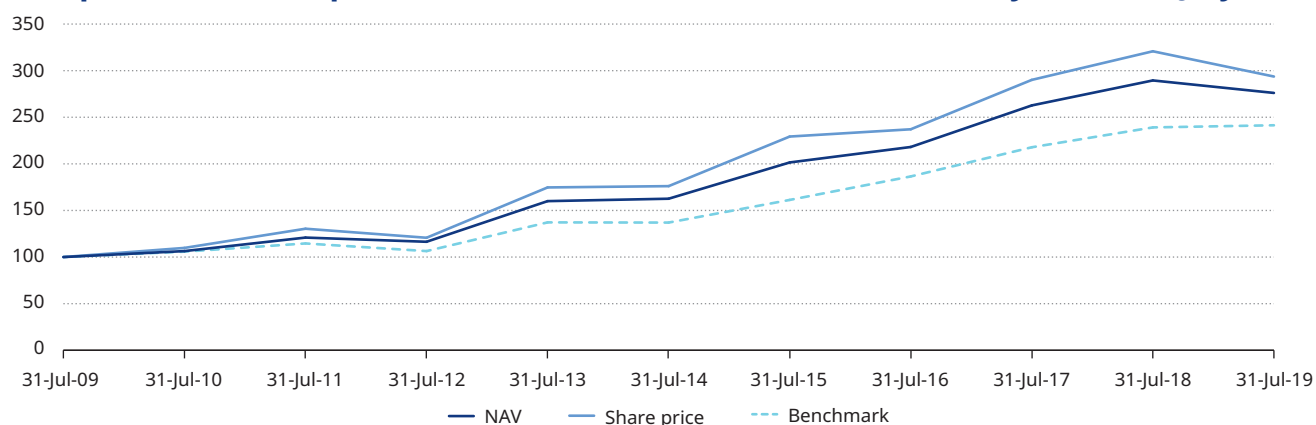
¹Source: Thomson Reuters. The Benchmark is the TSE First Section Total Return Index in sterling terms.

Other financial information

	31 July 2019	31 July 2018	% Change
Shareholders' funds (£'000)	273,812	292,268	(6.3)
NAV per share (pence)	219.04	233.80	(6.3)
Share price (pence)	190.50	212.00	(10.1)
Share price discount to NAV per share (%)*	13.0	9.3	
Gearing (%)*	12.3	11.7	

	Year ended 31 July 2019	Year ended 31 July 2018	% Change
Net revenue attributable to shareholders (£'000)	5,994	5,106	+17.4
Return per share (pence)	4.79	4.08	+17.4
Dividend per share (pence)	4.70	4.00	+17.5
Ongoing Charges (%)*	1.03	1.00	

NAV per share, share price and Benchmark total returns for the 10 years to 31 July 2019



Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 July 2009.

Chairman's Statement



“the directors have declared a final dividend... of 4.70p per share... an increase of 17.5% over... 2018.”

Performance

The year to 31 July 2019 has been disappointing, with the Company's net asset value ("NAV") and share price total returns underperforming the Benchmark, producing -4.6% and -8.4%, respectively, compared with +1.0% produced by the Benchmark. As further detailed in the Manager's Review, the Company's value style bias was the main detractor to performance, although global market volatility was also a factor.

Revenue and dividend

I am pleased to report that despite capital performance, revenue per share has increased by 17.4% to 4.79p, due to larger distributions from portfolio companies. Taking this into consideration, the directors have declared a final dividend for the year ended 31 July 2019 of 4.70p per share, representing an increase of 17.5% over the final dividend paid in 2018. This dividend will be paid on 11 November 2019 to shareholders on the register on 18 October 2019 subject to approval by shareholders at the Annual General Meeting ("AGM") on 6 November 2019.

Gearing

The Company continues to maintain a term loan and credit facility, as detailed in the notes to the accounts. The gearing level increased slightly, beginning and ending the year at 11.7% and 12.3%, 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.

Purchase of shares for cancellation

The directors did not use the authority given to them to purchase shares for cancellation during the financial year ended 31 July 2019. The average discount for the year was 9.8%, widening from 9.3% at the start of the year to 13.0% at the end of the year.

During the year the board continued to closely monitor this discount as the ability to buy back shares is one of a number of tools that, in the right circumstances, may be used to enhance shareholder value and to reduce the discount volatility. The board will be seeking to renew the share buy-back authority granted at the Company's AGM in November

2018 to purchase up to 14.99% of the Company's issued share capital for cancellation.

Board refreshment

As part of the board's ongoing refreshment, Richard Greer will be retiring as a director in the second quarter of 2020. As detailed in the Nomination Committee Report, a search is currently underway to recruit a new non-executive director.

Outlook

The portfolio continues to focus on individual stock ideas in which the Manager sees strong long-term growth potential. The combination of these ideas with a disciplined valuation approach has typically led to a value style bias, which has hampered performance in the last couple of years, but the current portfolio seems to represent a significant opportunity for potential return going forward. This belief is not based just on a reversion to normal conditions, but anticipates further improvements in corporate governance and higher shareholder pay-outs, which are providing more paths by which the value embedded in Japanese companies can be returned to shareholders in future.

The frustration about the short-term performance is well-reflected in the Manager's review. Most stock price movements have been driven by global factors – trade friction, slowing global growth, politics, etc. – rather than reflecting the generally positive developments in the companies in the portfolio.

The single largest frustration is in valuations. Our Manager believes the shares in the portfolio are simply undervalued by a market that has not been focussing on value. I would turn this round, and see it as an opportunity. We know from the history of this Company that, if the Manager can continue to find the right companies, performance will follow.

While mindful of the overall level of portfolio risk, your board is therefore supportive of the Manager increasing the scale of the positions in some of the holdings that have underperformed. We also agree with the Manager's confidence in using the gearing facility.

Continuation vote

The Notice of the Annual General Meeting contains an ordinary resolution proposing that the Company should continue as an investment trust for a further five year period.

The board has reviewed the Company's investment objective and policy, as well as the Manager and its resources. The board believes that Japan remains an attractive proposition for investors and that the investment strategy and process employed by the Manager, which are well known to investors and have been laid out in the Strategic Report, provides a suitable platform to produce superior returns over the longer term.

As a result, the board recommends that the Company should continue as an investment trust for a further five year period. The directors will be voting their shares accordingly and wish to encourage all other shareholders likewise to vote in favour of continuation.

Chairman's Statement

“The portfolio continues to focus on individual stock ideas in which the Manager sees strong long-term growth potential.”

Annual General Meeting

The AGM will be held at 12.00 pm on Thursday, 6 November 2019, and I hope as many of you as possible will be able to attend and participate. The meeting, as in previous years, will include a presentation by the portfolio manager on the prospects for the Japanese market and the Company's investment strategy.

Anja Balfour
Chairman

3 October 2019

Manager's Review

“The main drivers of stock market performance over the 12 months have been macroeconomic and geopolitical issues as trade friction escalated...”

Market background

The Company's NAV total return for the year to the end of July 2019 of -4.6% underperformed the Benchmark of +1.0% (source: Morningstar).

In yen terms the market actually declined over the period, due to sharp weakness in the fourth quarter of 2018, in common with many other equity markets. Although there has been some recovery since then, overall sentiment has remained weak. The yen has appreciated significantly against sterling over the year, primarily as a result of Brexit-induced weakness in sterling. As a result, the market decline was reversed to a small positive return in sterling terms.

The main drivers of stock market performance over the 12 months have been macroeconomic and geopolitical issues as trade friction escalated and central banks maintained a very low interest rate environment for longer than initially expected. These factors tended to overshadow the slow but steady improvement in domestic economic conditions in Japan.

Within the low interest rate environment, defensive sectors, with steady growth rates, continued to perform relatively well. More economically sensitive areas, such as steel companies and commodity-related sectors, tended to underperform, along with most financial stocks.

Portfolio Performance

The main impact on performance over the last 12 months came from the Company's "value" style bias – its emphasis on shares on lower valuations – and from the level of gearing. Gearing was 12.3% at the end of July, having generally been in a range of 12-15% during the year. The gearing made a negative contribution as a result of the negative market return in yen terms.

Within the portfolio there were negative impacts from both sector allocation and stock selection, but there were few large individual positive or negative stock contributions. The bulk of the underperformance came from small negative contributions from a wide range of stocks, reinforcing our view that style issues had an unusually large influence on performance.

Among individual stocks, the largest negative contribution came from Hi-Lex, a small-cap auto component supplier. In the absence of any positive stock-specific news, the share price has drifted lower under the influence of trade friction on the global supply chains for autos, exacerbated by the weakness in small caps generally. Softbank, a major telecom conglomerate, which is not held in the portfolio, also had a negative impact on relative performance as the stock price was driven up by several pieces of news flow.

Some of these negative influences were offset by the strong performance of Disco, a maker of specialist equipment used in semiconductor production. After some initial weakness, investors have become more confident that a cyclical slowdown in the company's earnings is coming to an end and the stock has performed strongly since the beginning of 2019. Hitachi Transport, a freight transport and logistics provider, also

performed relatively well in the last twelve months, especially during the market decline at the end of 2018.

Stock selection impact – 12 months to 31 July 2019

Five largest contributors to performance

	Portfolio weight (%)	Load difference (%)	Absolute performance (%)	Impact (%)
Disco	1.7	+1.6	+20.0	+0.4
Hitachi Transport System	1.4	+1.4	+25.0	+0.3
Tokio Marine Holdings	2.2	+1.3	+26.3	+0.3
Fujifilm	1.6	+1.2	+26.3	+0.3
SMC	1.8	+1.3	+18.6	+0.3

Five largest detractors to performance

	Portfolio weight (%)	Load difference (%)	Absolute performance (%)	Impact (%)
Hi-Lex	1.8	+1.8	-28.0	-0.7
SoftBank Group	0.0	-1.8	+34.8	-0.5
JXTG Holdings	2.0	+1.5	-28.4	-0.5
TDK	2.3	+2.1	-20.4	-0.5
AT Group	1.3	-1.3	-23.4	-0.4

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

Activity

New positions have been added in stocks where we feel there are company-specific drivers for earnings growth over the next few years, rather than relying on shorter-term cycles or market trends. As always with our investment process, we look to our local team of analysts to identify these opportunities, asking them for a longer-term view in a market that, as said before, is pre-occupied with short-term macro-economic factors.

The new investments recently added include Ibiden, a ceramics company which works with Intel for semiconductor packaging, and Asahi Breweries, a beer and beverage supplier, which is gradually reallocating resources towards faster-growing overseas markets. Nomura Research Institute was also added. The company provides IT consulting services together with

Manager's Review

“Overall we believe that the potential return from the portfolio is excellent as the market conditions normalise.”

system engineering, and is a beneficiary of the trend towards higher capital expenditure aimed at improving labour productivity.

Conversely, some stocks have been removed from the portfolio where our conviction levels have been reduced. These include Mitsubishi Electric, which supplies electronic equipment and industrial machinery, and Sumitomo Electric, a cable company whose main business is in wire harnesses for automobiles. Overall, there has been a slight reduction in the number of stocks held.

Outlook

The move by the US Federal Reserve to cut interest rates in early August has reignited the debate on Japanese monetary policy and, specifically, whether there is scope for the Bank of Japan to ease further without having a significant negative impact on the financial sector. The most recent comments from the Bank suggest policy could be eased further in coming months, but the level of the currency remains a significant element in any decision. Meanwhile, the negative yield on 10-year Japanese government bonds has already moved below the levels seen in mid-2016.

Data on Japan's domestic economy will be affected in the short-term by the increase in consumption tax in October. There may be some distortions to data as consumption is brought forward ahead of the tax rise, which is then followed by lower consumption. The extent to which the government can offset any negative impact through its fiscal policy is also uncertain, with some economists even suggesting a net positive impact. Overall, however, these economic influences will be temporary and we see nothing that necessitates any change in our long-term view of the outlook for individual companies.

Although the current profits progress for Japanese companies appears sluggish, we believe that most of this is already discounted in stock prices and the underlying economic fundamentals continue to improve gradually, within a stable policy environment. The scope remains for a profit recovery in the second half of the fiscal year, at a time when we believe that the current level of profits already provides attractive valuations. We continue to base our positive long-term assessment on improvements in corporate governance, which are driving both structurally higher returns on equity and increasing pay-outs to shareholders. The recent evidence of improved shareholder returns, despite the cyclical slowdown in earnings, provides some encouragement, as do anecdotal examples of unwinding of cross-shareholdings (where listed Japanese companies own each other's shares).

Policy

The portfolio remains focused on individual stock opportunities in which we see excellent prospects for long-term earnings growth. The strong valuation discipline, which is inherent in our fundamental research, tends to result in a bias towards "Value" in terms of the portfolio's investment style. Historically this style bias has typically had a positive influence on performance, in addition to the contributions from individual stocks. In the last two years, however, the prolonged period of very accommodative global monetary policy has created an environment characterised by low growth, low inflation and low volatility, which has persistently favoured "Growth" style over "Value".

While these trends have hampered recent performance, we feel that the resultant widening in the spread of valuations across market has reached unsustainable levels. We remain convinced that long-run differences in stock performance must ultimately be driven by companies' underlying profits and valuations, and we remain absolutely focused on these factors. From our perspective, the holdings appear significantly undervalued both relative to the market and in absolute terms. The latter has encouraged us to keep the gearing at around 12%. Overall we believe that the potential return from the portfolio is excellent as the market conditions normalise.

Largest positions relative to the Benchmark 31 July 2019











Overweights	Portfolio	Benchmark	Difference
Sankyu	2.9	0.1	+2.8
Sumitomo Mitsui Financial	3.9	1.2	+2.7
Bridgestone	2.8	0.6	+2.2
Disco	2.3	0.1	+2.2
TDK	2.3	0.2	+2.1

Underweights	Portfolio	Benchmark	Difference
Nintendo	-	1.0	-1.0
Mitsubishi UFJ Financial	0.3	1.6	-1.3
Keyence	-	1.4	-1.4
Sony	-	1.8	-1.8
SoftBank Group	-	2.0	-2.0

Source: Schroders, Factset, ex cash

Manager's Review

Largest overweight and underweight sector positions vs Benchmark as at 31 July 2019

Portfolio weight (%)		Load difference (%)	
8.8	Land Transportation		4.1
4.6	Insurance		2.2
7.1	Machinery		2.0
2.8	Rubber Products		2.0
6.0	Retail Trade		1.4
0.0	Electric Power & Gas		-1.7
2.3	Foods		-1.7
0.4	Other Products		-1.8
2.3	Services		-3.0
10.5	Electric Appliances		-3.4

Source: Schroders, Factset, ex cash

Schroder Investment Management Limited

3 October 2019

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 2019

Stocks in bold are the 20 largest investments, which by value account for 50.6% (2018: 48.0%) of total investments. All investments are equities, listed on Japanese stock markets.

	£'000	%
Transportation Equipment		
Toyota Motor	15,325	5.0
Hi-Lex	4,882	1.6
Isuzu Motors	3,946	1.3
Toyota Industries	2,061	0.7
Yamaha Motor	1,521	0.5
Total Transportation Equipment	27,735	9.1
Land Transportation		
Sankyu	8,777	2.9
East Japan Railway	8,143	2.6
Central Japan Railway	5,143	1.7
Hitachi Transport System	5,071	1.6
Total Land Transportation	27,134	8.8
Electrical Appliances		
TDK	6,974	2.3
Hitachi	6,187	2.0
Koito Manufacturing	5,458	1.8
Nidec	3,319	1.1
Mitsubishi Electric	2,484	0.8
Ibiden	820	0.3
Total Electrical Appliances	25,242	8.3
Chemicals		
Fujifilm	5,516	1.8
SK Kaken	5,055	1.6
Sekisui Chemical	4,841	1.6
Nippon Soda	1,882	0.6
JSR	1,737	0.6
Kureha Chemical	1,582	0.5
Daicel	1,341	0.4
Sakata Inx	974	0.3
Total Chemicals	22,928	7.4
Pharmaceutical		
Otsuka Holdings	7,360	2.4
Santen Pharmaceutical	5,612	1.8
Takeda Pharmaceutical	5,463	1.8
Ship Healthcare	1,716	0.6
Mitsubishi Tanabe Pharma	695	0.3
Total Pharmaceutical	20,846	6.9

	£'000	%
Retail Trade		
Seven & I Holdings	4,345	1.4
AT Group	3,442	1.1
Pan Pacific	3,064	1.0
H2O Retailing	2,666	0.9
Izumi	2,557	0.8
Nafco	1,756	0.6
Paltac	1,427	0.5
Advan Co., Ltd.	704	0.2
SRA Holdings	646	0.2
Total Retail Trade	20,607	6.7
Information and Communication		
Nippon Telegraph and Telephone	9,613	3.1
KDDI	9,279	3.0
Chubu Nippon Broadcasting	597	0.2
Total Information and Communication	19,489	6.3
Machinery		
Disco	6,929	2.3
Nabtesco	2,243	0.7
Nichias	2,184	0.7
IHI	2,128	0.7
NGK Spark Plug	1,741	0.6
Glory	1,411	0.5
Tsubakimoto Chain	1,325	0.4
Nippon Thompson	1,276	0.4
Total Machinery	19,237	6.3
Banks		
Sumitomo Mitsui Financial	11,835	3.9
Fukuoka Financial	2,304	0.7
Mitsubishi UFJ Financial	1,071	0.3
Total Banks	15,210	4.9
Wholesale Trade		
Mitsui & Co.	8,025	2.5
Itochu	4,459	1.4
Fuji Oil	1,777	0.6
Inabata	831	0.3
Total Wholesale Trade	15,092	4.8

Investment Portfolio

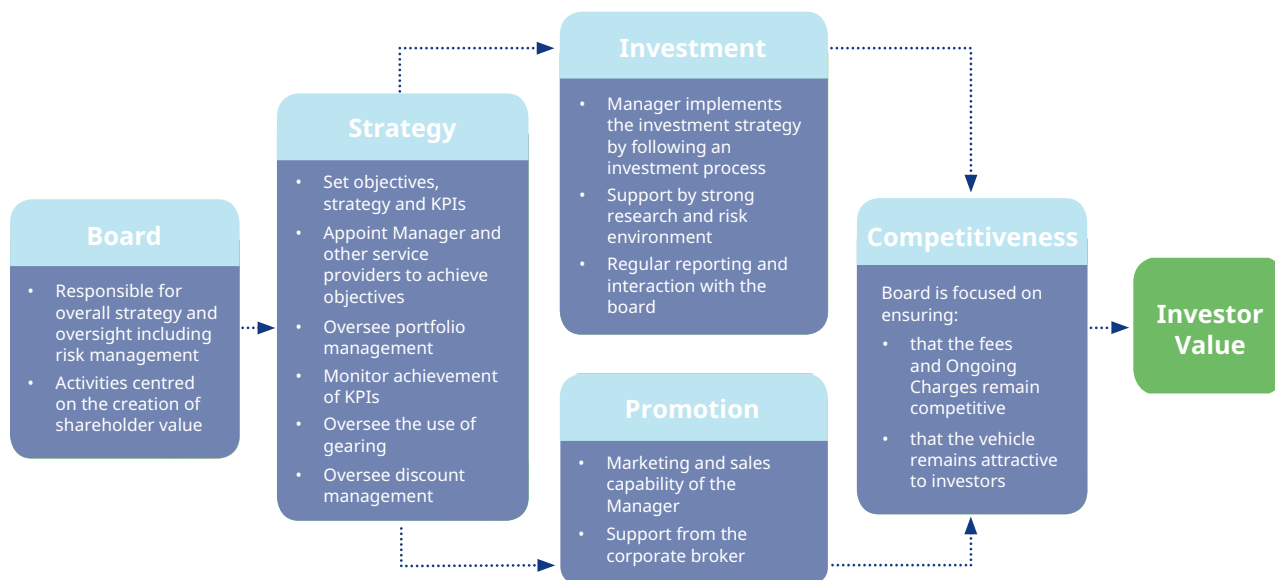
As at 31 July 2019

	£'000	%
Precision Instruments		
SMC	6,505	2.1
Murata	3,829	1.2
Shimadzu	1,978	0.6
Enplas	1,769	0.6
Renesas Electronics	984	0.3
Total Precision Instruments	15,065	4.8
Insurance		
Tokio Marine Holdings	8,257	2.7
T&D Holdings	5,859	1.9
Total Insurance	14,116	4.6
Construction		
Daiwa House	3,101	1.0
Haseko	3,074	1.0
JGC	2,994	1.0
Sanki Engineering	1,435	0.5
Nippon Densetsu Kogyo	739	0.2
Total Construction	11,343	3.7
Securities and Commodity		
Orix	3,606	1.2
Nomura Research Institute	2,675	0.9
Nomura Holding	2,451	0.8
Tokai Tokyo Securities	977	0.3
Total Securities and Commodity	9,709	3.2
Rubber Products		
Bridgestone	8,586	2.8
Total Rubber Products	8,586	2.8
Services		
Recruit Holdings	4,437	1.4
Japan Post Holdings	2,499	0.8
Total Services	6,936	2.2
Oil and Coal Products		
JXTG Holdings	5,845	1.9
Total Oil and Coal Products	5,845	1.9
Air Transportation		
Japan Airlines	5,642	1.8
Total Air Transportation	5,642	1.8

	£'000	%
Real Estate		
Mitsui Fudosan	3,528	1.1
Nomura Real Estate	1,094	0.4
Total Real Estate	4,622	1.5
Other Financing Business		
Hitachi Capital	3,965	1.3
Total Other Financing Business	3,965	1.3
Tobacco		
Japan Tobacco	3,446	1.1
Total Tobacco	3,446	1.1
Foods		
Asahi Breweries	1,887	0.6
Total Foods	1,887	0.6
Non-Ferrous Metals		
Sumitomo Electric Industries	1,506	0.5
Total Non-Ferrous Metals	1,506	0.5
Other Products		
Bandai Namco	1,307	0.4
Total Other Products	1,307	0.4
Warehousing and Harbour Transportation Services		
Kintetsu World Express	258	0.1
Total Warehousing and Harbour Transportation Services	258	0.1
Total Investments	307,753	100.0

Strategic Review

Business model



The Company carries on business as an investment trust. 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 a public company limited by shares. It 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 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 to be held later this year and thereafter at five yearly intervals.

The Company's business model is illustrated by the diagram above.

Investment objective and policy

Details of the Company's investment objective and policy may be found on the inside front cover.

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.

Investment process

Investment philosophy and process

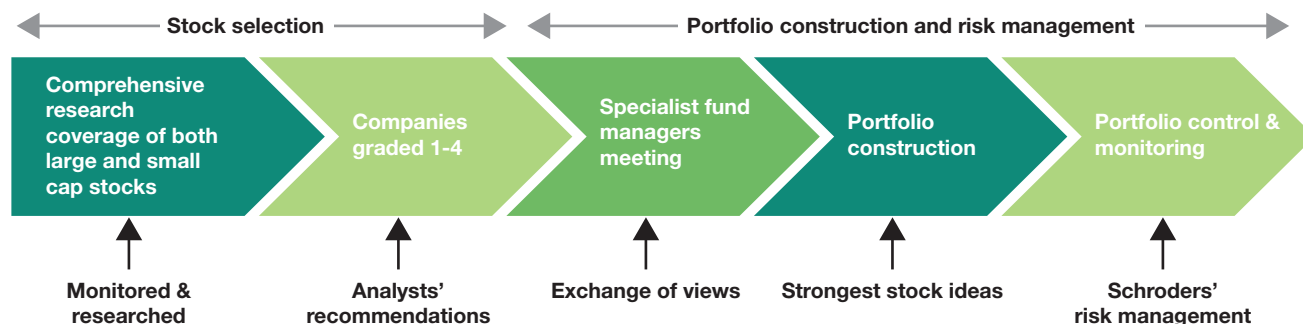
The Manager's Japanese equity investment philosophy is based on the belief that a competitive advantage can be gained from in-house research which should translate into superior investment performance through disciplined portfolio construction.

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 2,300 a year.

Strategic Review

Disciplined and repeatable approach



At the end of June, Andrew Rose, who had been the portfolio manager of the company for the last 11 years, retired from Schroders. His successor is Masaki Taketsume. Mr Taketsume has been part of Schroders since 2007. While 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 the debate and peer group challenge which takes place at a formal meeting twice a month. This meeting provides a forum to discuss and debate investment views and strategy, together with stock positions and stock ideas, and, importantly, serves 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.

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 (84 investments spread over 25 sectors at 31 July 2019).

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.

Details of the board's approach to discount management and share issuance may be found in the Chairman's Statement on page 3 and in the Annual General Meeting – Recommendations on page 52.

Strategic Review

Key performance indicators

The board measures the development and success of the Company's business through achievement of its investment objective, as set out on the inside front cover, 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.

Corporate and social responsibility

Board diversity

As at 31 July 2019, the board comprised two men and two women. The board's approach to diversity is that 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 specific criteria for the role being offered. Candidates are not specifically selected on the grounds of their gender but this is taken into account when the board examines its overall balance, skill set and experience.

Responsible investment policy

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.

A description of the Manager's policy 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 monitors the implementation of this policy through regular reporting by the Manager on its engagement activity, how it is integrated into the investment process, and the outcomes of the activity.

Anti-bribery and corruption policy

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery policy.

Greenhouse gas emissions

As the Company outsources its operations to third parties, it has no greenhouse gas emissions to 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 2019.

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

The principal risks and uncertainties faced by the Company have remained unchanged throughout the year under review.

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 and climate change risk. The board has determined they are not currently material for the Company

Political risk includes Brexit. 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.

Risk	Mitigation and management
Strategic 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.	The appropriateness of the Company's investment remit is periodically reviewed and the success of the Company in meeting its stated objectives is monitored. The share price relative to NAV per share is monitored. The marketing and distribution activity is actively reviewed. Proactive engagement with shareholders.
The Company's cost base could become uncompetitive, particularly in light of open-ended alternatives.	The ongoing competitiveness of all service provider fees is subject to periodic benchmarking against their competitors. Annual consideration of management fee levels.
Investment management 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.	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. Annual review of the ongoing suitability of the Manager is undertaken.
Financial and currency 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.	The risk profile of the portfolio considered and appropriate strategies to mitigate any negative impact of substantial changes in markets discussed with the Manager. The board considers overall hedging policy on a regular basis.

Strategic Review

Risk	Mitigation and management
<p>Custody</p> <p>Safe custody of the Company's assets may be compromised through control failures by the Depositary, including cyber hacking.</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, including as a result of cyber hacking, 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 are provided by key service providers and monitoring of the quality of their services provided.</p> <p>Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements and IT controls is undertaken.</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>

Risk assessment and internal controls

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.

A full analysis of the financial risks facing the Company is set out in note 20 on pages 46 to 51.

Strategic Review

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 2019 and the potential impacts of the principal risks and uncertainties it faces for the review period.

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 13 and 14 and in particular the impact of a significant fall in Japanese equity markets on the value of the Company's investment portfolio. 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. While the articles of association require that a proposal for the continuation of the Company be put forward at the Company's AGM, the directors have no reason to believe that such a resolution will not be passed by shareholders.

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 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

3 October 2019

Board of Directors



Anja Balfour

Status: Independent Non-Executive Chairman

Length of service: 6 years – appointed a director in May 2013 and Chairman in November 2018

Experience: Mrs Balfour managed equity portfolios for Stewart Ivory, Baillie Gifford and, latterly, Axa Framlington. She is a non-executive director of AVI Global plc, Martin Currie Asia Unconstrained Trust plc, F&C Global Smaller Companies PLC and Scottish Friendly Assurance.

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

Current remuneration: £37,000 per annum (effective 1 August 2019)

Connections with the Manager: None

Material interests in any contract which is significant to the Company's business: None

Shared directorships with any other directors of the Company: None



Alan Gibbs

Status: Independent Non-Executive Director

Length of service: 3 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 (effective 1 August 2019)

Connections with the Manager: None

Material interests in any contract which is significant to the Company's business: None

Shared directorships with any other directors of the Company: None

Board of Directors



Richard Greer

Status: Independent Non-Executive Director

Length of service: 9 years – appointed a director in November 2009

Experience: Mr Greer worked in Japan, for Jardine Matheson and Baring Securities. He headed the group established by the Japanese Ministry of Finance representing the EU investment banks and brokerages. On returning to London, he was global head of research at Barings, Caspian Limited and Commerzbank AG, before becoming a partner at WMG Limited. He is currently Chairman of Myanmar Strategic Holdings Limited.

Committee membership: Audit and Risk, Management Engagement and Nomination Committees (Chairman of the Management Engagement and Nomination Committees)

Current remuneration: £27,000 per annum (effective 1 August 2019)

Connections with the Manager: None

Material interests in any contract which is significant to the Company's business: None

Shared directorships with any other directors of the Company: None



Belinda Richards

Status: Independent Non-Executive Director

Length of service: 1 year – 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 committee of Wm Morrison Supermarkets PLC, 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. Mrs Richards is a former director of Aviva UK Life and Pensions, Balfour Beatty plc, Grainger plc and Friends Life Group plc.

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

Current remuneration: £31,100 per annum (effective 1 August 2019)

Connections with the Manager: None

Material interests in any contract which is significant to the Company's business: None

Shared directorships with any other directors of the Company: None

Directors' Report

The directors submit their report and the audited financial statements of the Company for the year ended 31 July 2019.

Revenue and dividend

The net revenue return for the year, before finance costs and taxation, was £6,903,000 (2018: £5,925,000). After deducting finance costs and taxation the amount available for distribution to shareholders was £5,994,000 (2018: £5,106,000) equivalent to net revenue of 4.79p (2018: 4.08p) per ordinary share.

The directors have recommended the payment of a final dividend for the year of 4.70p per share (2018: 4.00p) payable on 11 November 2019 to shareholders on the register on 18 October 2019, subject to approval by shareholders at the Annual General Meeting on 6 November 2019.

Directors and their interests

The directors of the Company and their biographical details can be found on pages 16 and 17. All directors held office throughout the year under review. Details of directors' share interests in the Company are set out in the Directors' Remuneration Report on page 26.

Share capital

As at the date of this report, the Company had 125,008,200 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 125,008,200. There have been no changes to the Company's share capital during the year under review.

Substantial share interests

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 2019	% of total voting rights
Investec Wealth & Investment Limited	17,499,517	13.99
Rathbone Brothers PLC	12,506,442	10.00
Derbyshire County Council	9,025,000	7.22
City of London Investment Management Limited	6,702,222	5.36
1607 Capital Partners LLC	6,603,495	5.28
Wells Capital Management, Inc	6,277,080	5.02
Lazard Asset Management LLC	5,926,190	4.74

Following the year end and at the date of this report, City of London Investment Management Limited increased its holding to 13,284,745 shares in the Company, representing 10.6% of total voting rights.

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 twelve 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.

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 £444.4 billion (as at 30 June 2019) 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.

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 value of 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 2019 amounted to £2,139,000 (2018: £2,276,000).

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 45.

Depository

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 depository specified in the

Directors' Report

AIIFM 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.

Corporate governance statement

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 2016. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

The board has noted the publication of a further revised UK Corporate Governance Code, in July 2018, which applies to financial years beginning on or after 1 January 2019. The board will report fully against the new code for the financial year ending 31 July 2020.

Compliance statement

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities on page 28 and the viability and going concern statements set out on page 15 indicate 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.

Operation of the board

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 16. She has no conflicting relationships.

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.

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 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.

Training and development

On appointment, directors receive a full, formal and tailored induction. Directors are also regularly provided with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting directors' responsibilities are advised to the board as they arise. Directors also regularly participate in relevant training and industry seminars. Training and development needs are included as part of the evaluation process and are agreed with the Chairman.

Conflicts of interest

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.

Directors' Report

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.

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 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	5/5	1/1	2/2	1/1
Alan Gibbs	5/5	1/1	2/2	1/1
Richard Greer	5/5	1/1	2/2	1/1
Belinda Richards ¹	4/5	0/1	1/2	0/1
Jonathan Taylor ²	2/2	1/1	1/1	1/1

¹Belinda Richards was not able to attend a set of meetings due to a long-standing pre-existing commitment. This was agreed by the board prior to her appointment as a director.

²Jonathan Taylor retired as a director on 1 November 2018.

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.

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 report which aim to provide shareholders with a clear understanding of the Company's activities and its results.

The chairmen of the board and its committees attend the AGM whenever possible and are available to respond to queries and concerns from shareholders.

It is the intention of the board that the annual report and Notice of the AGM be issued to shareholders so as to provide at least 20 working days notice of the AGM. 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 outside back cover.

The Company has adopted a policy on complaints and other shareholder communications which ensures that shareholder complaints and communications addressed to the Company Secretary, the Chairman or the board are, in each case, considered by the Chairman and the board.

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.

By order of the board

Schroder Investment Management Limited

Company Secretary

3 October 2019

Audit and Risk Committee Report

This report sets out the responsibilities and work carried out by the audit and risk committee in the year under review. The duties and responsibilities of the committee 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 16 and 17. 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 2019. The committee discharged its responsibilities by:

- 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;
- holding an audit tender and selecting a new auditor;
- evaluating the auditor's performance; and
- reviewing the principal risks faced by the Company and the system of internal control.
- considering its terms of reference;

Annual report and financial statements

During its review of the Company's financial statements for the year ended 31 July 2019, the committee considered the significant issues set out in the table below, including

consideration of principal risks and uncertainties in light of the Company's activities, and issues communicated by the auditor 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.
- 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.
- Calculation of the investment management fee	- Review of the calculation against the criteria set out in the AIFM agreement.
- Internal controls and risk management	- Consideration of several key aspects of internal control and risk management operating within the Manager, depositary and registrar.
- Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010	- Consideration of the Manager's report confirming compliance, and review of minimum distribution calculation.

As a result of the work performed, the committee has concluded that the annual report for the year ended 31 July 2019, 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 28.

Audit and Risk Committee Report

Effectiveness of the independent audit process

The audit committee evaluated the effectiveness of the independent audit firm and process prior to making a recommendation on its 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 auditor attend the audit and risk 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.

Change of Auditor

As announced during the year, Deloitte LLP were appointed as the Company's auditor. This follows completion of a tender process carried out as a consequence of EU audit regulations, which required the Company to replace the previous auditor, PricewaterhouseCoopers LLP as its statutory audit firm by 2020 due to length of tenure.

Three firms were invited to complete requests for proposals based on key criteria set by the audit and risk committee. Two firms were invited to present to the committee members and both were recommended to the board with a preference for Deloitte LLP based on, amongst other factors, its depth of resource, technological competencies and experienced senior statutory auditors.

The board agreed with the audit and risk committee's recommendation.

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 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 they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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 audit and risk 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 (2018: 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

3 October 2019

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. Richard Greer 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 Auditor <p>The committee also receives a report from the Company Secretary on ancillary service providers, and considers any recommendations.</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.</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. Although performance by the existing broker, Cenkos Securities plc, was satisfactory, due to several changes in personnel, a new corporate broker, Winterflood Securities Limited was appointed after the year end on 1 October 2019.</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> <p>The committee noted that the previous auditor had resigned following a tender process initiated by the audit and risk committee, where the previous auditor was barred from participating due to length of service.</p>



<p>Recommendations made to, and approved by, the board:</p> <ul style="list-style-type: none"> That the ongoing appointment of the Manager on the terms of the AIFM agreement 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. Richard Greer 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, which is shared with an independent recruitment firm. 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 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.

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 at the start of 2020. A job specification was agreed for the role. The committee met two recruitment firms after inviting three to tender, and appointed Fletcher Jones to run the search process. Fletcher Jones is independent of the company and directors. The committee will be interviewing candidates during the last quarter of 2019 with a view to recommending a candidate for appointment to the board at the start of 2020. 	<ul style="list-style-type: none"> The board evaluation was undertaken in August and September 2019. 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. 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 would be retiring in the second quarter of 2020. As a result, the committee commenced its search process for a new director.



<p>Recommendations made to, and approved by, the board:</p> <ul style="list-style-type: none"> 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. That directors' fees be increased, as detailed in the Directors' Remuneration Report on page 27.
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Directors' Remuneration Report

Introduction

This report has been prepared in accordance with the relevant provisions of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

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 AGM in 2020 and the current policy provisions will apply until that date. 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 1 November 2018, 99.94% 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 2018 were in favour, while 0.06% were against. 28,000 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 board'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.

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 2019.

Fees paid to directors

The following amounts were paid by the Company to the directors for their services in respect of the year ended 31 July 2019 and the previous financial year:

Director	Salary/fees		Taxable benefits ¹		Total	
	2019	2018	2019	2018	2019	2018
	£	£	£	£	£	£
Anja Balfour (Chairman) ²	34,563	29,125	4,204	1,750	38,767	30,875
Alan Gibbs	26,250	25,375	193	322	26,443	25,697
Richard Greer	26,250	25,375	133	222	26,383	25,597
Belinda Richards ³	29,250	14,875	305	157	29,555	15,032
Jonathan Taylor ⁴	9,099	35,000	876	1,169	9,975	36,169
Total	125,412	129,750	5,711	3,620	131,123	133,370

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.

³Appointed as a director on 1 January 2018.

⁴Retired as a director on 1 November 2018.

The information in the above table has been audited.

Directors' Remuneration Report

Consideration of matters relating to directors' remuneration

Directors' remuneration was last reviewed by the board in September 2019. The members of the board at the time that remuneration levels were considered were as set out on pages 16 and 17. 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.

Following the annual review, the board agreed that directors' fees should be increased by £1,000 per annum for the Chairman, £850 per annum for the audit and risk committee Chair, and £750 per annum for directors. These changes became effective from 1 August 2019.

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 2019 £'000	Year ended 31 July 2018 £'000	% change
Remuneration payable to directors	131	133	-1.5
Distributions paid to shareholders – dividends	5,000	4,375	14.3

Directors' share interests

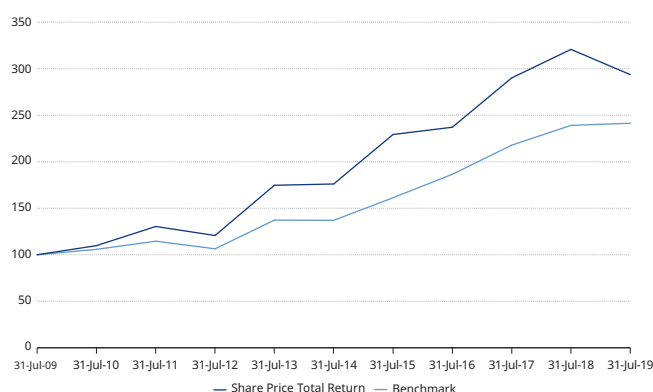
The Company's articles of association do not require directors to own shares in the Company. The interests of directors, including those of connected persons, in the Company's ordinary shares of 10p each, at the beginning and end of the financial year under review are set out below.

	At 31 July 2019	At 1 August 2018
Anja Balfour	9,000	9,000
Alan Gibbs	100,000	100,000
Richard Greer	9,689	9,689
Belinda Richards	-	-
Jonathan Taylor ¹	N/A	23,000

¹Retired as a director on 1 November 2018.

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

10 year performance of share price and Benchmark total returns¹



¹Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 July 2009.

Definitions of terms and performance measures are provided on page 56.

Anja Balfour
Chairman

3 October 2019

Statement of Directors' Responsibilities in respect of the Annual Report and Accounts

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 Company's webpages. 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 16 and 17 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

3 October 2019

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

Report on the audit of the financial statements

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 2019 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 November 2014 and updated in February 2018 "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;
- the 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 November 2014 and updated in February 2018 "Financial Statements of Investment Trust Companies and Venture Capital Trusts".

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.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: <ul style="list-style-type: none">– Valuation and ownership of listed investments; and– Completeness and accuracy of investment income.
Materiality	The materiality that we used in the current year was £2.74m which was determined as 1% of net assets.
Significant changes in our approach	This is the first year we have audited the Company.

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

Conclusions relating to going concern, principal risks and viability statement

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 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.

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

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 13 and 14 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 13 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 15 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.





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



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.

Valuation and ownership of listed investments	
Key audit matter description 	<p>The listed investments held by the Company, £307.8m (2018: £326.8m) are key to its performance and account for 96.1% of total assets at 31 July 2019 (2018: 97.7%). Please see note 1b and note 10.</p> <p>There is a risk that investments may not be valued correctly or may not represent the property of the Company. As they are the key driver of the Company's performance and due to their significance to the net asset value there is a risk that these investments might not be correctly valued.</p> <p>This key audit matter is also included in the Audit and Risk Committee Report within the annual report as a significant issue.</p>
How the scope of our audit responded to the key audit matter 	<p>We have performed the following procedures to test the ownership and valuation of the investment portfolio at 31 July 2019:</p> <ul style="list-style-type: none"> – reviewed the service auditor reports on the custodian and the depositary, HSBC Bank plc ("HSBC"), in order to ascertain whether the design and implementation of controls over the ownership and valuation of investments are appropriate; – agreed 100% of the Company's investment portfolio at the year end to confirmations received directly from the custodian and the depositary, HSBC; – independently agreed 100% of the bid prices of quoted investments on the investment ledger at year end to closing bid prices published by an external pricing source; – confirmed the liquidity of a sample of the holdings at year-end by comparing the holding size to the shares traded after the year end to determine if the valuation is reflective of quoted prices in an active market; – Reviewed the completeness and appropriateness of disclosures in relation to fair value measurements and liquidity risk; and – made enquiries of the manager and directors regarding their assessment of the portfolio pricing and liquidity. <p>In addition to the above, we also tested a sample of purchase and sales of investments during the year, which supports our work performed on this key audit matter.</p>
Key observations 	<p>Based on the work performed we concluded that the valuation and ownership of investments is appropriate.</p>
Completeness and accuracy of investment income	
Key audit matter description 	<p>Dividends totalled £8.2m for the year ended 31 July 2019 (2018: £7.2m) and are accounted for on an ex-dividend date as revenue, except where, in the opinion of the Manager and the board, the dividend is capital in nature, in which case it is treated as a return of capital. See the accounting policy in note 1(d) and note 3 of the financial statements.</p> <p>Given the nature of revenue, being a key performance indicator and an area of focus to users of the financial statements, we also determined that there was a potential for fraud through possible manipulation of this balance.</p> <p>There is a risk that dividend income is not completely recorded. Additionally, there is a risk that dividend income is incorrectly allocated between revenue and capital accounts.</p> <p>This key audit matter is also included in the Audit and Risk Committee Report within the annual report as a significant issue.</p>

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

<p>How the scope of our audit responded to the key audit matter</p> 	<p>We have performed the following procedures on the completeness and accuracy of investment income:</p> <ul style="list-style-type: none"> – reviewed the service auditor reports on HSBC in order to confirm the design and implementation of controls over (i) monitoring the completeness of dividend income, and (ii) the allocation of income between capital and revenue accounts; – Performed testing over 100% of dividends and special dividends received in the year, using independent data sources, agreeing the ex-dividend dates and rates for dividends declared and confirming that they were correctly recorded; – reviewed the accounting policies for revenue recognition against the requirements of FRS 102 and the SORP and performed focused testing to confirm their application during the year; and – for sample of special dividends and corporate actions, confirmed the allocation between revenue and capital was appropriate by reviewing management's rationale for the allocation and performing an independent validation.
<p>Key observations</p> 	<p>Based on the work performed we concluded that the completeness and accuracy of investment income is appropriate.</p>

Our application of 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	£2.73m
Basis for determining materiality	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.

We agreed with the audit and risk committee that we would report to the committee all audit differences in excess of £137k, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit and risk committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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.

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.

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.

We have nothing to report in respect of these matters.

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

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.

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 and risk committee does not appropriately address matters communicated by us to the audit and risk 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.

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.

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 are set out below.

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

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.

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, our procedures included the following:

- enquiring of management and the audit and risk committee, including obtaining and reviewing supporting documentation, concerning the Company's 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;

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

- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: valuation and ownership of listed investments given the nature of the investments, being a key performance indicator and an area of focus to users of the financial statements; and
- obtaining an understanding of the legal and regulatory frameworks that the Company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Company. The key laws and regulations we considered in this context including financial reporting included the Companies Act 2006 and UK Listing Rules, as well as the Company qualification as an Investment Trust under UK tax legislation.

Audit response to risks identified

As a result of performing the above, we identified the valuation and ownership of listed investments as a key audit matter. 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 relevant laws and regulations discussed above;
- 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, reviewing internal audit reports 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, 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

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 financial year 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.

Matters on which we are required to report by exception

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company's financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

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

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.

Other matters

Auditor tenure

Following the recommendation of the audit and risk 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 of the firm is one year.

Consistency of the audit report with the additional report to the audit and risk committee

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

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
3 October 2019

Income Statement

for the year ended 31 July 2019

	Note	Revenue £'000	2019 Capital £'000	Total £'000	Revenue £'000	2018 Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	2	-	(13,985)	(13,985)	-	23,873	23,873
Net foreign currency (losses)/gains		-	(3,751)	(3,751)	-	184	184
Income from investments	3	8,157	-	8,157	7,204	-	7,204
Other interest receivable and similar income	3	7	-	7	2	-	2
Gross return/(loss)		8,164	(17,736)	(9,572)	7,206	24,057	31,263
Investment management fee	4	(642)	(1,497)	(2,139)	(683)	(1,593)	(2,276)
Administrative expenses	5	(619)	-	(619)	(598)	-	(598)
Net return/(loss) before finance costs and taxation		6,903	(19,233)	(12,330)	5,925	22,464	28,389
Finance costs	6	(93)	(217)	(310)	(99)	(231)	(330)
Net return/(loss) on ordinary activities before taxation		6,810	(19,450)	(12,640)	5,826	22,233	28,059
Taxation on ordinary activities	7	(816)	-	(816)	(720)	-	(720)
Net return/(loss) on ordinary activities after taxation		5,994	(19,450)	(13,456)	5,106	22,233	27,339
Return/(loss) per share	9	4.79p	(15.56)p	(10.77)p	4.08p	17.79p	21.87p

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 39 to 51 form an integral part of these accounts.

Statement of Changes in Equity for the year ended 31 July 2019

	Called-up share capital £'000	Share premium £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2017	12,501	7	3	97,205	154,475	5,113	269,304
Net return on ordinary activities	–	–	–	–	22,233	5,106	27,339
Dividend paid in the year	–	–	–	–	–	(4,375)	(4,375)
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	–	–	–	–	–	(5,000)	(5,000)
At 31 July 2019	12,501	7	3	97,205	157,258	6,838	273,812

The notes on pages 39 to 51 form an integral part of these accounts.

Statement of Financial Position at 31 July 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	307,753	326,756
Current assets			
Debtors	11	1,108	1,042
Cash at bank and in hand		11,414	6,653
		12,522	7,695
Current liabilities			
Creditors: amounts falling due within one year	12	(1,331)	(42,183)
Net current assets/(liabilities)		11,191	(34,488)
Total assets less current liabilities		318,944	292,268
Creditors: amounts falling due after more than one year	13	(45,132)	-
Net assets		273,812	292,268
Capital and reserves			
Called-up share capital	14	12,501	12,501
Share premium	15	7	7
Warrant exercise reserve	15	3	3
Share purchase reserve	15	97,205	97,205
Capital reserves	15	157,258	176,708
Revenue reserve	15	6,838	5,844
Total equity shareholders' funds		273,812	292,268
Net asset value per share	16	219.04p	233.80p

These accounts were approved and authorised for issue by the board of directors on 3 October 2019 and signed on its behalf by:

Anja Balfour
Chairman

The notes on pages 39 to 51 form an integral part of these accounts.

Registered in England and Wales as a public company limited by shares

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 address 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 November 2014 and updated in February 2018. 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 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 2018.

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

(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.

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.

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

Notes to the Accounts

(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 43.

(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

2. (Losses)/gains on investments held at fair value through profit or loss

	2019 £'000	2018 £'000
Gains on sales of investments based on historic cost	16,680	15,212
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(21,294)	(11,981)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	(4,614)	3,231
Net movement in investment holding gains and losses	(9,371)	20,642
(Losses)/gains on investments held at fair value through profit and loss	(13,985)	23,873

3. Income

	2019 £'000	2018 £'000
Income from investments:		
Overseas dividends	8,157	7,204
Other interest receivable and similar income		
Deposit interest	7	2
Total income	8,164	7,206

4. Investment management fee

	Revenue £'000	2019 Capital £'000	Total £'000	Revenue £'000	2018 Capital £'000	Total £'000
Management fee	642	1,497	2,139	683	1,593	2,276

The basis for calculating the investment management fee is set out in the Directors' Report on page 18 and details of all amounts payable to the Manager are given in note 17 on page 45.

5. Administrative expenses

	2019 £'000	2018 £'000
Administration expenses	324	305
Directors' fees ¹	125	130
Company secretarial fee	90	90
Marketing support fee	50	50
Auditor's remuneration for the audit of the Company's financial statements	30	23
	619	598

¹Details of all amounts payable to directors are given in the Directors' Remuneration Report on page 27.

Notes to the Accounts

6. Finance costs

	Revenue £'000	2019 Capital £'000	Total £'000	Revenue £'000	2018 Capital £'000	Total £'000
Interest on bank loans and overdrafts	93	217	310	99	231	330

7. Taxation on ordinary activities

	2019 £'000	2018 £'000
(a) Analysis of charge in the year:		
Irrecoverable overseas tax	816	720
Taxation on ordinary activities	816	720

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2018: lower) than the Company's applicable rate of corporation tax for the year of 19.0% (2018: 19.0%).

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

	Revenue £'000	2019 Capital £'000	Total £'000	Revenue £'000	2018 Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	6,810	(19,450)	(12,640)	5,826	22,233	28,059
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19.0% (2018: 19.0%)	1,294	(3,696)	(2,402)	1,107	4,224	5,331
Effects of:						
Capital losses/(gains) on investments	-	3,370	3,370	-	(4,571)	(4,571)
Income not chargeable to corporation tax	(1,550)	-	(1,550)	(1,369)	-	(1,369)
Unrelieved expenses	256	326	582	262	347	609
Irrecoverable overseas tax	816	-	816	720	-	720
Taxation on ordinary activities	816	-	816	720	-	720

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £5,348,000 (2018: £4,828,000) based on a prospective corporation tax rate of 17% (2018: same). The reduction in the standard rate of corporation tax was substantively enacted in September 2016 and is effective from 1 April 2020.

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

	2019 £'000	2018 £'000
2018 final dividend of 4.00p (2017: 3.50p) paid out of revenue profits	5,000	4,375
2019 final dividend proposed of 4.70p (2018: 4.00p) to be paid out of revenue profits	5,875	5,000

The proposed dividend amounting to £5,875,000 (2018: £5,000,000) 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 £5,994,000 (2018: £5,106,000).

9. Return/(loss) per share

	2019 £'000	2018 £'000
Revenue return	5,994	5,106
Capital (loss)/return	(19,450)	22,233
Total (loss)/return	(13,456)	27,339
Weighted average number of ordinary shares in issue during the year	125,008,200	125,008,200
Revenue return per share	4.79p	4.08p
Capital (loss)/return per share	(15.56)p	17.79p
Total (loss)/return per share	(10.77)p	21.87p

10. Investments held at fair value through profit or loss

	2019 £'000	2018 £'000
Opening book cost	201,093	183,495
Opening investment holding gains	125,663	117,002
Opening valuation	326,756	300,497
Purchases at cost	53,359	44,077
Sales proceeds	(58,377)	(41,691)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	(4,614)	3,231
Net movement in investment holding gains and losses	(9,371)	20,642
Closing valuation	307,753	326,756
Closing book cost	212,755	201,093
Closing investment holding gains	94,998	125,663
Total investments held at fair value through profit or loss	307,753	326,756

All investments are listed on a recognised stock exchange.

Notes to the Accounts

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

	2019 £'000	2018 £'000
On acquisitions	13	15
On disposals	15	14
	28	29

11. Debtors

	2019 £'000	2018 £'000
Securities sold awaiting settlement	690	649
Dividends and interest receivable	393	370
Other debtors	25	23
	1,108	1,042

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

12. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank loan	–	40,862
Securities purchased awaiting settlement	647	611
Other creditors and accruals	684	710
	1,331	42,183

The bank loan at the comparative year end comprised a yen 6.0 billion three-year term loan, from Scotiabank Europe plc ("Scotiabank"), which expired in January 2019.

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. The facility replaced a similar arrangement with Scotiabank, which expired in March 2019. 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 46.

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

	2019 £'000	2018 £'000
Bank loan	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. This loan replaced a yen 6.0 billion three-year term loan, from Scotiabank, which expired in January 2019. The directors consider that the carrying amount of the loan approximates to its fair value.

Notes to the Accounts

14. Called-up share capital

	2019 £'000	2018 £'000
Ordinary shares allotted, called-up and fully paid:		
125,008,200 ordinary shares of 10p each	12,501	12,501

15. Reserves

	Share premium 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	50,783	125,925	5,844
Losses on sales of investments based on the carrying value at the previous balance sheet date	-	-	-	(4,614)	-	-
Net movement in investment holding gains and losses	-	-	-	-	(9,371)	-
Transfer on disposal of investments	-	-	-	21,294	(21,294)	-
Realised exchange losses on cash and short-term deposits	-	-	-	(990)	-	-
Exchange losses on foreign currency loan	-	-	-	-	(2,761)	-
Management fee and finance costs allocated to capital	-	-	-	(1,714)	-	-
Dividend paid	-	-	-	-	-	(5,000)
Retained revenue for the year	-	-	-	-	-	5,994
Closing balance	7	3	97,205	64,759	92,499	6,838

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

	2019	2018
Net assets attributable to shareholders (£'000)	273,812	292,268
Shares in issue at the year end	125,008,200	125,008,200
Net asset value per share	219.04p	233.80p

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 18. 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 2019 amounted to £2,139,000 (2018: £2,276,000), of which £544,000 (2018: £577,000) was outstanding at the year end. The marketing support fee payable to the Manager amounted to £50,000 (2018: £50,000) of which £13,000 (2018: £13,000) was outstanding at the year end. The company secretarial fee payable to the Manager amounted to £90,000 (2018: £90,000) of which £23,000 (2018: £23,000) was outstanding at the year end.

Notes to the Accounts

18. Related party transactions

Details of the remuneration payable to directors are given in the Directors' Remuneration Report on page 26 and details of directors' shareholdings are given in the Directors' Remuneration Report on page 27. Details of transactions with the Manager are given in note 17 above. There have been no other transactions with related parties during the year (2018: 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 39.

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

	Level 1 £'000	2019 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.

	Level 1 £'000	2018 Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	326,756	–	–	326,756

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.

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

Notes to the Accounts

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.

	2019 £'000	2018 £'000
Debtors (securities sold awaiting settlement, dividends and interest receivable)	1,083	1,019
Cash at bank and in hand	5,910	6,653
Creditors (securities purchased awaiting settlement)	(647)	(611)
Bank loans (including accrued interest payable)	(45,143)	(40,873)
Foreign currency exposure on net monetary items	(38,797)	(33,812)
Investments held at fair value through profit or loss that are equities	307,753	326,756
Total net foreign currency exposure	268,956	292,944

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% (2018: 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.

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

	2019 £'000	2018 £'000
Income statement – return after taxation		
Revenue return	726	639
Capital return	(3,901)	(3,404)
Total return after taxation for the year	(3,175)	(2,765)
Net assets	(3,175)	(2,765)

Notes to the Accounts

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

	2019 £'000	2018 £'000
Income statement – return after taxation		
Revenue return	(726)	(639)
Capital return	3,901	3,404
Total return after taxation for the year	3,175	2,765
Net assets	3,175	2,765

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:

	2019 £'000	2018 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	11,414	6,653
Total exposure	11,414	6,653

Interest receivable on cash balances is at a margin below LIBOR (2018: same).

During the year, the Company arranged a credit facility 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 replaced a similar arrangement with Scotiabank, which expired in March 2019. These facilities were not utilised in the current or comparative year.

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

	2019 £'000	2018 £'000
Minimum credit interest rate exposure during the year – net cash	3,081	3,158
Maximum credit interest rate exposure during the year – net cash	11,414	10,621

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1.0% (2018: 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.

Notes to the Accounts

	2019		2018	
	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	114	(114)	67	(67)
Capital return	–	–	–	–
Total return after taxation	114	(114)	67	(67)
Net assets	114	(114)	67	(67)

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:

	2019 £'000	2018 £'000
Investments held at fair value through profit or loss	307,753	326,756

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 8. 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% (2018: 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.

	2019		2018	
	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	(60)	60	(64)	64
Capital return	30,635	(30,635)	32,527	(32,527)
Total return after taxation and net assets	30,575	(30,575)	32,463	(32,463)
Percentage change in net asset value	11.2%	(11.2%)	11.1%	(11.1%)

Notes to the Accounts

(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	2019 Two to three years £'000	Total £'000	2018 Within one year £'000	Total £'000
Creditors: amounts falling due within one year					
Securities purchased awaiting settlement	647	–	647	611	611
Other creditors and accruals	673	–	673	700	700
Interest on term loan	301	–	301	167	167
Term loan	–	–	–	40,862	40,862
Creditors: amounts falling due after more than one year					
Term loan – including interest	–	45,555	45,555	–	–
	1,621	45,555	47,176	42,340	42,340

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

Notes to the Accounts

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.

	2019 Balance sheet £'000	2019 Maximum exposure £'000	2018 Balance sheet £'000	2018 Maximum exposure £'000
Fixed assets				
Investments held at fair value through profit or loss	307,753	-	326,756	-
Current assets				
Debtors – securities sold awaiting settlement, dividends and interest receivable and other debtors	1,108	1,108	1,042	1,042
Cash at bank and in hand	11,414	11,414	6,653	6,653
	320,275	12,522	334,451	7,695

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:

	2019 £'000	2018 £'000
Debt		
Bank loan	45,132	40,862
Equity		
Called-up share capital	12,501	12,501
Reserves	261,311	279,767
	273,812	292,268
Total debt and equity	318,944	333,130

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.

	2019 £'000	2018 £'000
Borrowings used for investment purposes, less cash	33,718	34,209
Net assets	273,812	292,268
Gearing	12.3%	11.7%

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 Wednesday, 6 November 2019 at 12.00 p.m. The formal Notice of Meeting is set out on page 53.

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.

Ordinary business

Resolutions 1 to 7 and 9 and 10 are all ordinary resolutions. Resolution 1 is a required resolution. Resolution 2 invites shareholders to approve the final dividend. Resolution 3 concerns the Directors’ Remuneration Report, on pages 26 and 27. Resolutions 4 to 7 invite shareholders to re-elect each of the directors for another year, following the recommendations of the Nomination Committee, set out on pages 24 and 25 (their biographies are set out on pages 16 and 17). 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 21 and 22.

Special business

Resolution 8: Continuation (ordinary resolution)

In accordance with the Company’s articles of association, the directors are required to put forward a proposal for the continuation of the Company to shareholders at five yearly intervals. The board considers that the long-term investment objectives of the Company remain appropriate and that the current Manager remains well placed to continue to deliver them over the long-term. An ordinary resolution will therefore be proposed at the AGM to agree that the Company should continue as an investment trust for a further five year period.

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 £625,041 (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 £625,041 (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 2020 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 1 November 2018, the Company was granted authority to make market purchases of up to 18,738,729 ordinary shares of 10p each for cancellation. No shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 18,738,729 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 2019 AGM will lapse at the conclusion of the AGM in 2020 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 Wednesday, 6 November 2019 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 2019.
2. To approve a final dividend of 4.70p per share for the year ended 31 July 2019.
3. To approve the Directors' Remuneration Report for the year ended 31 July 2019.
4. To approve the re-election of Anja Balfour as a director of the Company.
5. To approve the re-election of Alan Gibbs as a director of the Company.
6. To approve the re-election of Richard Greer as a director of the Company.
7. To approve the re-election of Belinda Richards as a director of the Company.
8. To consider, and if thought fit, to pass the following resolution as an ordinary resolution: "THAT in accordance with the articles of association, the Company should continue as an investment trust for a further five years".
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 £625,041 (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 £625,041 (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 18,738,729, 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 2020 (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: 2930057

3 October 2019

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 4 November 2019. 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 4 November 2019, 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 4 November 2019 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 16 and 17 of the Company's annual report and accounts for the year ended 31 July 2019.
7. As at 30 September 2019, 125,008,200 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 30 September 2019 was 125,008,200.
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/japangrowth.
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 represents the net assets attributable to equity shareholders divided by the number of shares in issue, excluding any shares held in treasury. The NAV per share is published daily.

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.

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. If the figure so calculated is negative, this is shown as a "Net cash" position.

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, transaction costs and any performance fee payable, expressed as a percentage of the average daily net asset values during the year of £268.7 million (2018: 286.5 million).

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 2019 is calculated as follows:

Opening NAV at 31/7/18				233.80p
Closing NAV at 31/7/19				219.04p
Dividend received	XD date	NAV on XD date	Factor	
4.00p	18/10/18	223.39p	1.0179	
NAV total return, being the closing NAV, multiplied by the factor, expressed as a percentage increase in the opening NAV:				-4.6%

The share price total return for the year ended 31 July 2019 is calculated as follows:

Opening share price at 31/7/18				212.00p
Closing share price at 31/7/19				190.50p
Dividend received	XD date	Share price on XD date	Factor	
4.00p	18/10/18	210.00p	1.0190	
Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage increase in the opening share price:				-8.4%

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 2019 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
Richard Greer
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

Depositary 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.