

Schroders

Schroder Japan Growth
Fund plc

Annual Report and Accounts

For the year ended
31 July 2022



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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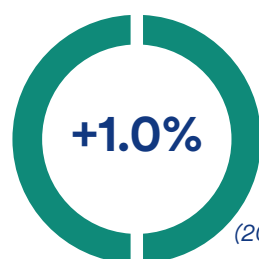
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Financial Highlights

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 62, together with supporting calculations where appropriate.

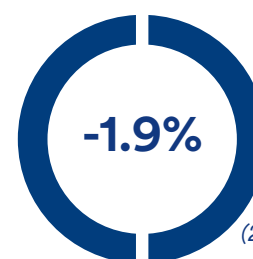
Total returns for the year ended 31 July 2022



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



Share price total return*



Benchmark^{1, 2}

¹Source: Thomson Reuters.

²The measure against which the Company compares its performance. The Benchmark is the TSE First Section Total Return Index in sterling terms.

Other financial information

	31 July 2022	31 July 2021	% change
Shareholders' funds (£'000)	281,429	283,859	(0.9)
NAV per share (pence)	230.68	232.40	(0.7)
Share price (pence)	202.00	210.00	(3.8)
Share price discount to NAV per share* (%)	12.4	9.6	
Gearing* (%)	11.1	10.4	
	Year ended 31 July 2022	Year ended 31 July 2021	% change
Net revenue attributable to shareholders (£'000)	6,073	5,401	+12.4
Revenue return per share (pence)	4.97	4.38	+13.5
Dividend per share (pence)	4.90	4.30	+14.0
Ongoing Charges* (%)	0.92	0.89	

10 Year Financial Record

Definitions of terms and performance measures are given on page 62

At 31 July	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total assets (£'000) ¹	193,027	202,254	243,135	270,783	310,493	333,130	318,944	279,365	323,180	318,321
Shareholders' funds (£'000)	172,908	173,455	212,101	226,688	269,304	292,268	273,812	236,128	283,859	281,429
NAV per share (pence)	138.32	138.75	169.67	181.34	215.43	233.80	219.04	189.24	232.40	230.68
Share price (pence)	124.50	123.75	158.75	162.00	195.00	212.00	190.50	161.50	210.00	202.00
Share price discount to NAV per share* (%)	(10.0)	(10.8)	(6.4)	(10.7)	(9.5)	(9.3)	(13.0)	(14.7)	(9.6)	12.4
Gearing* (%) ²	11.0	12.8	12.5	12.1	11.2	11.7	12.3	13.3	10.4	11.1

For the year ended 31 July	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net revenue after taxation (£'000)	2,354	2,401	2,693	3,898	4,522	5,106	5,994	6,252	5,401	6,073
Net return per share (pence)	1.88	1.92	2.15	3.12	3.62	4.08	4.79	5.00	4.38	4.97
Dividend per share (pence)	1.75	1.80	2.00	2.80	3.50	4.00	4.70	4.90	4.30	TBA
Ongoing charges* (%) ³	1.45	1.36	1.09	1.11	1.00	1.00	1.03	0.92	0.89	0.92

Performance ⁴	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
NAV total return*	100.0	137.5	139.7	173.1	187.3	225.6	248.7	237.2	209.4	263.2	265.8
Share price total return*	100.0	144.8	145.9	189.9	196.4	240.4	265.8	243.3	211.5	282.7	277.2
Benchmark ⁵	100.0	129.0	128.7	151.6	175.3	204.8	224.7	226.9	213.2	251.6	246.8

¹Net assets plus borrowings used for investment purposes.

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

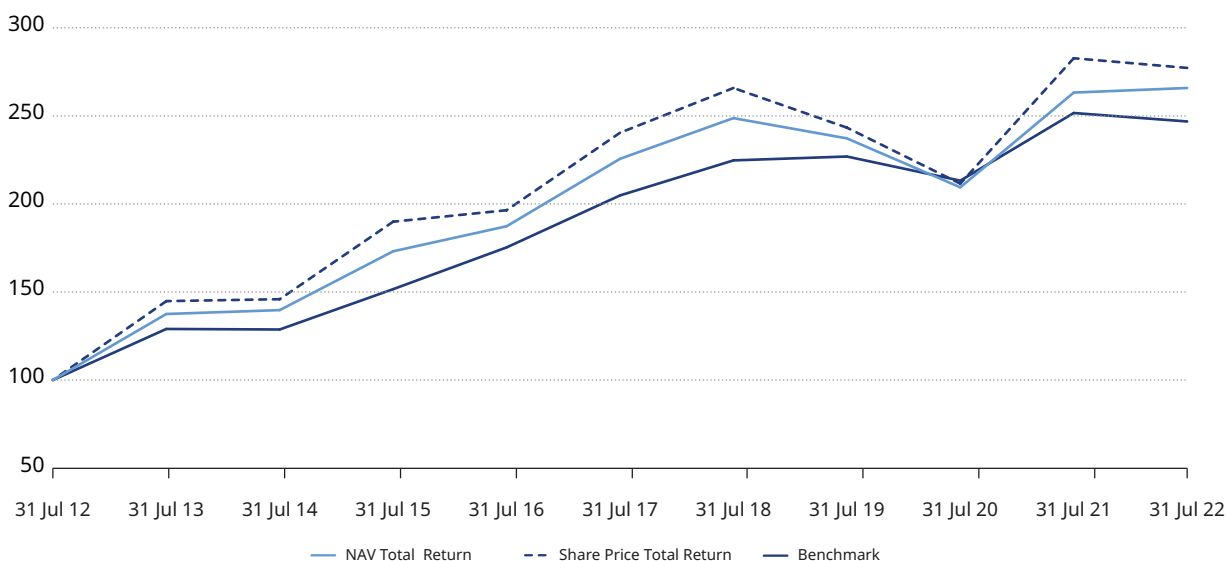
³Ongoing Charges represents the management fee and all other operating expenses excluding finance costs and transaction costs, expressed as a percentage of the average daily net asset values during the year.

⁴Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 July 2012.

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

*Alternative performance measures.

10 year NAV, share price and benchmark total returns to 31 July 2022



Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 July 2012.

Chairman's Statement



Performance

I am pleased to report that despite challenging market conditions relative performance remained strong this year, building on the strong absolute and relative returns achieved in 2021.

During the year ended 31 July 2022 the Company's net asset value ("NAV") achieved a total return of 1.0%, outperforming its Benchmark which produced a negative total return of -1.9%

over the year. The share price fell -2.0% on a total return basis, with the discount averaging 11.0% over the year.

Conditional Tender Offer

The Board continues to monitor the Company's performance against its tender performance target each year. The Company has a target to deliver net asset value total return performance of at least 2% per annum above the benchmark over a four year period starting from 1 August 2020. Should this target not be met, the Board will put to shareholders a proposal for a tender offer of 25% of the issued share capital at a price equal to the prevailing net asset value less costs. This tender is contingent on the next continuation vote of the Company at the AGM in November 2024 being passed.

The Manager has delivered an annualised net asset value total return of 12.7% over the first two years of the four year period, compared with 7.6% from the benchmark.

Board Succession

As outlined in the last annual report I will be retiring at the AGM. Following a recommendation from the Nomination Committee, the Board has appointed two new directors following a rigorous selection process involving an external agency. I am pleased to report that Dr Philip Kay will succeed me as Chairman and we also welcomed Helena Coles to the Board. Both Dr Kay and Ms Coles will be put forward for election by shareholders at the AGM and their biographical details may be found on page 21 and 22.

Discount and purchase of shares for cancellation

The Board monitors the discount of the share price to net asset value and when necessary implements a buyback programme as part of a wider package of measures to address this. During the year the Company repurchased a total of 142,700 shares for cancellation, in line with this policy. Whilst the number of shares repurchased was small the discount is actively monitored by the Board, who will be seeking to renew the share buyback authority granted at the Company's last AGM to purchase up to 14.99% of the Company's issued share capital

for cancellation. Should permission be granted, the Board will continue to use these buyback powers when appropriate.

In addition to the buyback programme and performance related tender offer, the Board continues to implement other measures to address the NAV discount and share price performance. Among these are a focus on refining the marketing message to communicate the excellent performance produced by Masaki Taketsume and his team. Masaki has made concrete progress in creating a more focused high conviction, yet balanced portfolio of large and smaller companies. The highly experienced team, based in Tokyo, has a differentiated approach investing in the best quality, but undervalued companies in Japan.

Gearing

The Company continues to maintain both a term loan and revolving credit facility. The gearing level was 10.4% at the start of the period and ended at 11.1%, with an average gearing level of 10.9%. Gearing had a positive effect on performance during the year. The Company's gearing continues to operate well within its pre-agreed limit of 25% of net asset value.

Revenue and dividend

Revenue during the year increased from 4.38p to 4.97p per share, a rise of 13.5%. In line with its stated policy the Board will continue to pay out substantially all income to shareholders. The Board has therefore declared a final dividend for the year ended 31 July 2022 of 4.90p per share, representing a increase of 14% over the final dividend paid in 2021. This dividend will be paid on 9 December 2022 to shareholders on the register on 4 November 2022, subject to approval by shareholders at the Annual General Meeting ("AGM") on 5 December 2022.

Outlook

While the difficult global economic picture will continue to present challenges to our Manager, we are encouraged by the performance of the Company's portfolio during the last year. We echo his view that his bottom up conviction approach to investing, whilst also increasingly seeking opportunities in mid and smaller cap stocks based on the anticipated recovery of the domestic economy, is well suited to the current environment.

AGM and shareholder engagement

The AGM will be held at 12.00 p.m. on Monday, 5 December 2022. The Shareholders are asked to cast their votes by proxy. The Manager will be presenting at a webinar separately from the AGM on 25 October 2022 at 2 p.m. and all shareholders are encouraged to sign up on the Company's website, to hear the portfolio manager's view, and to ask questions. Shareholders can also sign up using this link: <https://registration.duuzra.com/form/SJGAnnualResults2022>. The Board would like shareholders to get in touch via the Company Secretary with any questions or comments, so that

Chairman's Statement

the Board can answer them in advance of the AGM. To email, please use: amcompanysecretary@schroders.com or write to us at the Company's registered office address (Company Secretary, Schroder Japan Growth Fund plc, 1 London Wall Place, London EC2Y 5AU). For regular news about the trust, shareholders are also encouraged to sign up to the Manager's investment trusts update by visiting the Company's website.

Finally, on a personal note, as this is my last Chairman's statement, I would like to say how much I have enjoyed working with my fellow directors and the Schroders team. I will continue to pay a close interest in the performance of the Company and have every confidence as I make the transition from Board Chair to shareholder that the journey will be rewarding.

Anja Balfour
Chairman

13 October 2022

Investment Manager's Review

Market background

The Company's Net Asset Value recorded a small positive total return for the year to the end 31 July 2022 of +1.0%, whereas the benchmark declined slightly, with a negative total return of -1.9% (source: Morningstar, net of fees in GBP, NAV to NAV cum income return). This extended the period of outperformance seen in the previous year, with no change in the underlying strategy.

In Yen terms the Japanese market rose by 4.5% in the 12 months, but the Japanese currency weakened across the period, which led to a lower return from the market in sterling terms.

Following the Tokyo Olympics in July 2021, the Japanese government extended Covid-related restrictions throughout August and September. Public dissatisfaction with the government's approach ratcheted up again and the approval rate for Prime Minister Suga and his cabinet fell to the lowest levels seen during his 12 months in office. On 3 September 2021, the Prime Minister unexpectedly announced his intention to resign without contesting the LDP leadership election scheduled for later that month. This inevitably led to a brief period of political uncertainty before Mr Kishida ultimately emerged victorious in the party leadership election.

As the new LDP leader, Mr Kishida became Japan's 100th prime minister and was essentially seen as a safe, if unexciting, choice to guide Japan through its post-Covid recovery. Mr Kishida also inherited a stronger position in the vaccination programme which sustained strong momentum in the second half of 2021 after the very slow start.

Under Mr Kishida's leadership, the expectations for the LDP's performance in the subsequent general election in October 2021 were modest at best but, in the event, the party retained a solid majority.

With the election out of the way, and the Covid related state of emergency lifted, the political focus shifted to a substantial fiscal stimulus package, details of which became clearer in November. However, Japan imported its first known case of Omicron in December, followed by a sharp pick-up in infections from January 2022. While we must continue to emphasise that the absolute number of infections in Japan has remained remarkably low throughout the pandemic, the emergence of new variants again demonstrated a higher level of risk aversion, and each wave of infections has led to renewed concerns about hospital capacity. In late May 2022, Mr Kishida did finally announce that the government would relax some Covid border measures and resume acceptance of overseas tourists from 10 June, for the first time in around two years. Although this generated lots of media attention, in reality the practical constraints on travel will remain significant for some time and we will probably need to wait until at least the fourth quarter of the year to see any real impact from inbound tourism.

In the first half of 2022, aside from the ongoing human tragedy unfolding in Ukraine, Japan's equity market was primarily driven by news flow on monetary policy and currency markets, together with concerns over the growing possibility of a US recession. Comments from the US Federal Reserve ahead of April's interest rate increase clearly pointed to a widening interest rate differential with Japan materialising earlier than

expected. This view was reinforced by the results of the Bank of Japan's own policy meeting on 18 April, which confirmed no change in policy and the maintenance of the existing target of +/- 25bps for the 10-year bond yield. There was some surprise in the degree of commitment to this target shown by Governor Kuroda when he announced more details around the central bank's operation of fixed-rate bond purchases. Prior to March, these operations had been extremely rare, and generally only deployed at specific moments of significant market stress. However, Mr Kuroda stated that these fixed-rate operations would be conducted every day throughout May, virtually guaranteeing no rise in bond yields, which quickly pushed the yen through the key psychological 130 level against the US dollar.

Although the sharp weakening of the yen has prompted several public statements, the Bank of Japan's room for manoeuvre on the exchange rate is, in reality, very limited. Shortly after the end of the review period, however, the Ministry of Finance did intervene directly in currency markets to support the yen. While such action could yield short-term results it is unlikely to create a long-term trend change in the absence of a fundamental shift in policy from the Bank of Japan. Throughout Japan's two decades of deflation, investors have generally viewed yen weakness as positive for Japan since the benefits for exporters were seen to outweigh any potential inflationary impact, and it seems that Bank of Japan Governor Kuroda clearly remains very much in favour of this view. Since May 2022, however, the yen's weakness has coincided with a reversal of several other factors, especially mobile telecom charges, which had been suppressing the year-on-year inflation rate in the previous 12 months. This soon became evident in the headline inflation numbers, which showed core CPI (excluding only fresh food) jumping to 2.2% in June as the significant reduction in mobile phone charges finally dropped out of the year-on-year numbers. Although this level is slightly above the Bank of Japan's 2% target, the real question remains whether longer-term inflation expectations move higher in response, leading to more substantial wage growth as part of Japan's normalisation after decades of deflation. Nevertheless, underlying inflationary pressure in Japan does now appear to be creeping up, and the year-on-year increase in producer prices continues to run well ahead of consumer prices.

In July, market events were overshadowed by the shocking assassination of former Prime Minister Shinzo Abe on 8 July. Mr Abe, who resigned in August 2020 as Japan's longest serving prime minister, was shot while delivering a campaign speech in Nara, two days ahead of nationwide Upper House elections. Although Japan has had two Prime Ministers since Mr Abe, he remained a hugely influential figure within the ruling Liberal Democratic Party (LDP) and his absence will alter the internal dynamics of the party. In the immediate aftermath, however, the resulting strong support shown for the LDP in the Upper House elections on 10 July has solidified the position of current Prime Minister Kishida and has improved political stability.

Despite successive delays in Japan's domestic economic recovery, and heightened global uncertainty, Japanese corporations appear to be performing well and quarterly results announced during the fiscal year ended March 2022 were consistently ahead of expectations. This has been particularly true for manufacturing sectors that have benefitted from the global recovery, but non-manufacturing and service sector profits have also held up despite the successive

Investment Manager's Review

restrictions imposed on domestic activity in this period. Around the end of the fiscal year, there was a further pick-up in global uncertainty so it was not surprising to see some companies making overly conservative forecasts for the new fiscal year. Overall, however, the tone of results and guidance was still slightly better than expected.

Portfolio performance

The Fund's bottom-up stock picking approach typically results in a moderate bias towards an overall "value" style (emphasising stocks on below-average valuations). This style has generally supported performance of the fund in the last 12 months as the market environment has typically responded to stock-specific drivers, which has allowed the Fund's stock selection to add value.

Although overall market trends in this period have been dominated by global news flow on monetary policy and Russia's invasion of Ukraine, investors have also begun to recognise the earnings potential for many Japanese companies and individual stocks have reacted positively to upward revisions in earnings expectations.

Net gearing in the Fund was 11.1% at the end of July 2022, having been in a range from 10.4% to 12.1% during the previous 12 months. The gearing has had a modest positive impact on Fund performance during the year, which has added to the gains made from stock selection.

Among individual stocks in the portfolio, the largest positive contribution came from Tokio Marine, one of Japan's major insurers. The stock price has performed consistently well throughout the last 12 months, reflecting the company's improved Return on Equity and higher shareholder remuneration. There was also a strong performance from NTT, Japan's largest telecom service provider. The company is typically seen as defensive, due to its relatively predictable earnings, but performance was very strong in the first six months of 2022, following some restructuring of group companies that was announced in late 2021.

The Fund's relative performance in this period also benefited from the weakness of Softbank Group, the telecom and investment conglomerate, which is a significant component of the benchmark, but is not held in the Fund. The stock had been strongly favoured by investors in 2020, but then underperformed throughout 2021, resulting in a positive impact for the Fund in this review period.

Some of these positive impacts on Fund performance were offset by the underperformance of Ibiden a ceramics producer specialised in semiconductor packaging. This was mainly influenced by weakness across the technology sector in the first half of 2021, especially for stocks related to semiconductor production.

There was also weakness in Trusco Nakayama, a mid/small-cap distributor of industrial tools and related supplies. The share price has reflected the company's weaker top-line growth due to the slower than expected recovery of domestic industrial production, as well as the overall underperformance of mid/small-cap stocks in the first half of the period. The Fund maintains no holding in this stock as the real value of Softbank's investment holdings is difficult to predict.

Stock selection impact – 12 months to 31 July 2022

Largest positive contributions to performance

Security	Company Fund difference (%)	Load difference (%)	Absolute return (%)	Impact (%)
Tokio Marine	2.9	2.1	44.4	0.8
Nippon Telegraph and Telephone	3.5	2.1	31.2	0.6
NGK Spark Plug	1.2	1.1	58.8	0.6
Hitachi Transport System	0.7	0.6	87.0	0.5
Kureha Chemical	1.3	1.3	34.5	0.4
Total				3.0

Largest negative contributions to performance

Security	Company Fund difference (%)	Load difference (%)	Absolute return (%)	Impact (%)
Ibiden	1.5	1.4	-36.3	-0.5
Trusco Nakayama	1.1	-1.1	-37.7	-0.5
Mitsubishi UFJ	0.0	-1.6	24.9	-0.4
Dalichi Sankyo	0.0	-0.8	54.3	-0.4
Koito Manufacturing	0.9	-1.0	-38.3	-0.3
Total				-2.0

Past performance is not a guide to future performance and may not be repeated.

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

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

Activity

During the 12 month period we added a new position in Rinnai, which manufactures water heaters. The company's near-term earnings have been pressured by the combination of component shortages and material cost increases, which resulted in meaningful share price underperformance. However, the company is now implementing price increases to offset these higher costs and component shortages should gradually ease towards the second half of this fiscal year. Thanks to the ongoing structural shift in US & China towards more energy efficient tankless boilers, order backlog has been increasing, which should accelerate their earnings growth once component shortages improve. The recent share price underperformance has brought valuations down to low levels. The forecast Price/Earnings ratio reduces to around 10x, if we exclude cash of around 45% of market cap. We therefore concluded that the recent share price weakness is a short-term

Investment Manager's Review

overreaction to current conditions and we added a new position in May.

A new position was added in Nitto Denko. Investors tend to view the company's earnings as highly dependent on the LCD market which has been benefiting from "stay at home" demand (for LCD TVs, PCs, etc.), which has already matured. This has left the valuations at a discount against other electric component and material stocks. However, we believe this is a misperception, as we see their businesses as more diversified, with several solid growth drivers such as nucleic acid medicine CDMO, high-density flexible PCBs as well as profitability improvements in industrial tapes through product reshuffling. As a result, we expect Nitto Denko to sustain solid earnings growth over the mid-term, which should lead to a revaluation of the share price.

We initiated a position in Yokogawa Electric, which supplies measurement and control equipment used in factory automation, especially in industries such as chemicals, food and oil & gas. The stock looks particularly undervalued against its global peers given the near-term industry dynamics and the longer term growth potential from expanding autonomous solutions.

We also added Ricoh, as we believe other investors have not yet appreciated the company's transition towards a full IT service vendor for small and mid-sized businesses. The current valuation has been pushed down by shorter-term factors, including a slower than expected return to office working post-Covid, which has created an attractive entry point.

A new position in NEC Networks & System Integration was also added to the portfolio. The company's main businesses are IT service and telecommunication engineering and they are transforming themselves to move up the value chain in both these areas. In IT service, the company has traditionally been a subcontractor but they now are more engaged in valued-added IT service/solutions, including work from home solutions. In telecommunication engineering, they are improving their value propositions from simply installing hardware, such as wireless base stations, to upper-layer services. These management-led transformations should improve gross margins and lead to share price revaluation.

An initial position was added in Kohoku Kogyo at its Initial Public Offering (IPO). This small-cap company is not yet closely followed by other investors, but has a dominant global market share in two niche electronic businesses: lead terminals for aluminium electrolytic capacitors and optical isolators for undersea optical cables. Valuations at the IPO looked attractive against other niche technology providers.

Meanwhile, we exited the position in Nabtesco. The original investment thesis was that Nabtesco, with its dominant market share in precision reduction gears for industrial robots, would show a solid earnings growth along with the ongoing expansion of the market for factory automation. However, through its new mid-term plan, the company is planning aggressive growth in spending in all of its business segments. Given the relatively lacklustre track record in realising benefits in areas other than the precision reduction gear business, we are increasingly concerned about its weakening capital discipline. We therefore concluded that there are better alternatives to give exposure to the growth in factory automation, so we decided to sell out of the position.

We sold the position in Pan Pacific International, a retailer operating under the Don Quijote brand. While we acknowledge that their earnings may hit a cyclical bottom, we have become more concerned about their future growth prospects. We feel their discount store format may be losing some of its attractiveness to (younger) consumers, who tend to make a search online to decide on potential purchases, rather than visiting stores just to find interesting items, which has been the benefit of Don Quijote's unique store experience. In addition, while the recent management changes look reasonable we wonder if this may hinder the competitiveness of their bottom-up management where each store manager has a high level of authority. We decided to sell the position as we felt our concerns over long-term competitiveness may put further pressure on the stock's valuation, which remained at a premium to the market average.

The position in Miroku Jyoho Service was also sold. The company is a software and IT service provider which we expected to benefit from the growth in IT spending by small/mid-size businesses. However, the earnings recovery has been slower than expected, which may reflect some market share losses against emerging cloud-based vendors. We now have lower confidence about their competitiveness and management execution, so we have sold out of the position.

Two positions were sold as a result of corporate actions. One small position was sold in AT Group, which operates Toyota car dealerships in Aichi prefecture. The company is a classic example of a "traditional" small-cap value stock in Japan and saw a 78% gain in February after the announcement of a management buy-out. The position in Hitachi Transport System was sold after a steep rise in the share price, triggered by a buyout proposal from KKR.

Overall, the number of holdings has been further reduced to 66, continuing the trend seen over the last couple of years, as we look to place more emphasis on higher weightings in stocks where we have the greatest conviction.

Outlook

The recent rebound in Japan's industrial production, after some Shanghai-lockdown induced weakness, has underlined the relative strength of manufacturing sectors in Japan. The successive delays in a domestic consumption recovery has mainly impacted non-manufacturing sectors, although we would still look for Japan to grow above its long-term trend rate this year as the large fiscal package, agreed in late 2021, is implemented. However, we still need to carefully watch the development of Covid infections as the high level of risk aversion in Japan could still dictate a more cautious approach than that seen in Europe. This is likely to be particularly evident in the very gradual approach to the reopening of Japan's borders to foreign travellers.

The strong result for the ruling LDP in July's Upper House elections has reinforced the position of Prime Minister Kishida but, beyond the election, the government faces a range of key long-term policy decisions. These include fundamental, and constitutional, questions on defence and a particularly difficult balancing act on energy policy. The war in Ukraine has thrown into sharp relief Japan's dependence on imported energy and its relative lack of energy security over the long-term, with

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almost all nuclear plants remaining offline since the Fukushima earthquake in 2011. Although Tokyo has narrowly avoided power cuts during record high temperatures in the early summer 2022, Mr Kishida has nevertheless felt empowered to open up a public discussion on the restarting of nuclear plants.

Looking further ahead, equity investors will need to adjust gradually to the change in governor at the Bank of Japan as Mr Kuroda's term comes to an end in March 2023. With Mr Kuroda so closely associated with the current policy of yield curve control, it is hard to envisage any substantive changes in the near-term. However, before the end of 2022 we could see technical changes in the way the policy is implemented, which could indicate more clearly the direction of travel likely to be seen under his successor.

The main upward pressure on prices in Japan comes from a combination of higher imported energy costs, coupled with the sharp weakening of the yen so far this year. Although these factors could gradually fade from the year-on-year inflation rate going into 2023, Japan does seem to be heading into a period of moderate but sustainably positive inflation. While producer prices have been rising for some time, we have recently seen more anecdotal evidence of companies looking to pass on these increases to end-product prices, but consumers remain very price sensitive after two decades of deflation. Although some particular sectors may struggle in this environment, overall margins do appear to be resilient so far and we are comfortable that aggregate corporate profits for the listed sector continue to grow. In the immediate future, however, the heightened global uncertainty may mean that relative market valuations remain at a discount against this longer-term outlook for corporate profits. We are also very positive on the ongoing improvements in corporate governance and the scope for this to generate real value for investors. Although this is partly a qualitative assessment through our discussions with company managements, there are also measurable impacts such as improving return on equity and a record level of share buybacks announced in the early part of the current fiscal year.

Policy

With Japan heading into a period of moderate but sustainably positive inflation, we are particularly focused on the ability of Japanese companies to re-establish pricing power in order to protect margins after such a long deflationary period. The interplay between higher commodity prices, productivity gains and potential wage increases varies across sectors but, in general, we are comfortable that margins remain reasonably resilient, allowing aggregate corporate profits for the listed sector to continue to grow.

Our internal research continues to produce a range of opportunities in exciting companies on low valuations, from which we aim to generate outperformance without building excessive 'style' positions in the Fund. As a result, Fund performance should continue to be driven by stock-specific factors.

Environmental, Social and Governance (ESG) factors and sustainability issues continue to lie at the heart of our research on Japanese companies, which also incorporates input from our dedicated Sustainable Investment Team, based in London and Singapore. We explicitly consider ESG factors across our

investment universe in Japan, which has a direct impact on our valuation methodology, although we do not restrict our investment universe by applying any specific exclusions in particular sectors.

Conclusion

Overall, we have been encouraged by the performance of the Fund which has continued to respond well as market conditions in this period generally reflected stock specific factors, despite significant developments in the global macro background. We believe the Fund remains well placed for this type of valuation-driven environment, and therefore anticipate no change in the strategy. Our research team's access to company management continues to generate ideas for investment in individual stocks across the market cap spectrum, together with insights into changes in management behaviour and corporate governance. We do not expect any change in the process by which we form our conviction views on individual companies and we continue to see increasing opportunities in mid and small-cap stocks, in particular, based on the anticipated recovery of the domestic economy.

The Company's gearing level is currently 11.2% which reflects both the number of individual opportunities we see in the market and our confidence in the outlook for the overall portfolio.

Sector positions vs. benchmark as at 31 July 2022

% of portfolio	Underweight	Overweight
12.9 Information & Communication		3.7
3.7 Glass & Ceramics Products		3.0
8.0 Machinery		2.7
3.6 Other Financing Business		2.4
1.2 Precision Instruments	-1.5	
3.2 Banks	-2.1	
2.4 Services	-3.2	
12.4 Electric Appliances	-5.3	

Source: Schroders FactSet. Fund position less benchmark weight. Based on unaudited data. Sectors shown are for illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Appendix 1

Discrete yearly performance (%)

Total returns %

2017
2018
2019
2020
2021

Investment Manager's Review

Share Price	+16.1	-12.7	+13.6	+3.8	+6.4
Net Asset Value	+15.6	-8.4	+14.6	+9.5	+2.0
TOPIX	+0.5	-4.3	-1.0	-5.7	+4.4

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

Source: Morningstar, net of fees, cum-income NAV with dividends reinvested, GBP. Inception date: 12 July 1994.

The Company can be exposed to different currencies. Changes in foreign exchange rates could create losses.

The Company may be concentrated in a limited number of geographical regions, industry sectors, markets and/or individual positions. This may result in large changes in the value of the fund, both up or down, which may adversely impact the performance of the fund.

The Company may borrow money to invest in further investments, this is known as gearing. Gearing will increase returns if the value of the investments purchased increase in value by more than the cost of borrowing, or reduce returns if they fail to do so.

Investment Portfolio As at 31 July 2022

Stocks in bold are the 20 largest investments, which by value account for 49.6% (2021: 50.3%) of total investments. All investments are equities.

	£'000	%
Electrical Appliances		
Hitachi	10,849	3.5
Ricoh	4,818	1.5
TDK	4,302	1.4
Ibiden	3,968	1.3
Yokogawa Electric	3,253	1.0
Koito Manufacturing	2,244	0.7
Total Electrical Appliances	29,434	9.4
Information and Communication		
Nippon Telegraph and Telephone	12,258	3.9
KDDI	6,573	2.1
Otsuka	2,659	0.8
Digital Garage	2,317	0.7
Total Information and Communication	23,807	7.5
Transportation Equipment		
Toyota Motor	16,062	5.1
Toyota Industries	3,683	1.2
Isuzu Motors	3,318	1.1
Yamaha	369	0.1
Total Transportation Equipment	23,432	7.5
Machinery		
Amada	4,886	1.6
NGK Spark Plug	4,787	1.5
Nichias	3,948	1.3
Disco	3,946	1.3
Rheon Automatic Machinery	2,927	0.9
Kohoku Kogyo	2,784	0.9
Total Machinery	23,278	7.5
Chemicals		
Nippon Soda	4,810	1.5
Kureha Chemical	4,468	1.4
Aica Kogyo	3,971	1.3
NOF	3,499	1.1
Hosokawa Micron	3,211	1.0
Nitto Denko	2,724	0.9
Total Chemicals	22,683	7.2

	£'000	%
Wholesale trade		
Mitsui & Co.	7,301	2.3
Itochu	6,191	2.0
Fukushima Galilei	2,985	1.0
Trusco Nakayama	2,643	0.8
Total Wholesale Trade	19,120	6.1
Precision Instruments		
SMC	5,464	1.7
Rohm	4,761	1.5
Hoya	3,964	1.3
Mimasu Semiconductors	3,189	1.0
Total Precision Instruments	17,378	5.5
Pharmaceutical		
Astellas Pharmaceutical	7,460	2.4
Takeda Pharmaceutical	4,913	1.6
Ship Healthcare	3,683	1.2
Total Pharmaceutical	16,056	5.2
Insurance		
Tokio Marine	9,069	2.9
T&D Holdings	5,215	1.7
Total Insurance	14,284	4.6
Retail Trade		
Seven & i Holdings	9,146	2.9
Paltac	3,196	1.0
Total Retail Trade	12,342	3.9
Real Estate		
Mitsui Fudosan	8,873	2.8
Park24	3,464	1.1
Total Real Estate	12,337	3.9
Securities and Commodity		
Orix	7,093	2.3
Nomura Research Institute	5,112	1.6
Total Securities and Commodity	12,205	3.9
Other Products		
Toho	4,551	1.5
Bandai Namco	4,480	1.4
Miura	2,249	0.7
Total Other Products	11,280	3.6

Investment Portfolio

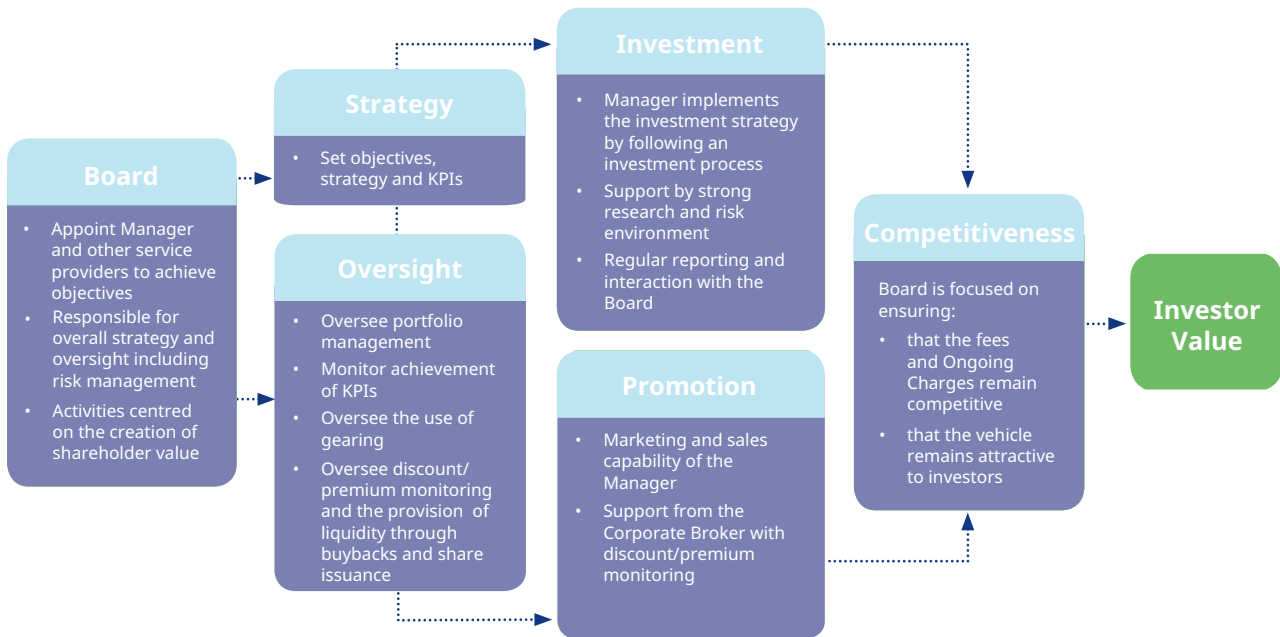
As at 31 July 2022

	£'000	%
Banks		
Sumitomo Mitsui Financial	10,096	3.2
Total Banks	10,096	3.2
Technology		
NEC Systems	3,809	1.2
WingArc1st	3,488	1.1
Yokowo	2,499	0.8
Total Technology	9,796	3.1
Services		
Recruit Holdings	7,655	2.4
Intage	320	0.1
Total Services	7,975	2.5
Construction		
Sanki Engineering	4,046	1.3
Nippon Densetsu Kogyo	3,521	1.1
Total Construction	7,567	2.4
Land Transportation		
Sankyu	4,875	1.6
East Japan Railway	2,513	0.8
Total Land Transportation	7,388	2.4
Foods		
Asahi Breweries	5,985	1.9
Total Foods	5,985	1.9

	£'000	%
Rubber Products		
Bridgestone	5,465	1.7
Total Rubber Products	5,465	1.7
Other Financing Business		
AEON Financial Services	4,252	1.4
Total Other Financing Business	4,252	1.4
Electric Power and Gas		
Nippon Gas	4,217	1.4
Total Electric Power and Gas	4,217	1.4
Oil and Coal products		
Eneos	4,085	1.3
Total Oil and Coal products	4,085	1.3
Non-Ferrous Metals		
Asahi Holdings	3,012	1.0
Total Non-Ferrous Metals	3,012	1.0
Glass and Ceramics		
AGC	3,008	1.0
Total Glass and Ceramics	3,008	1.0
Gas Appliances		
Rinnai	2,972	0.9
Total Gas Appliances	2,972	0.9
Total investments	313,454	100.0

Strategic Report

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



Business model

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

Investment

Investment process – an overview

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

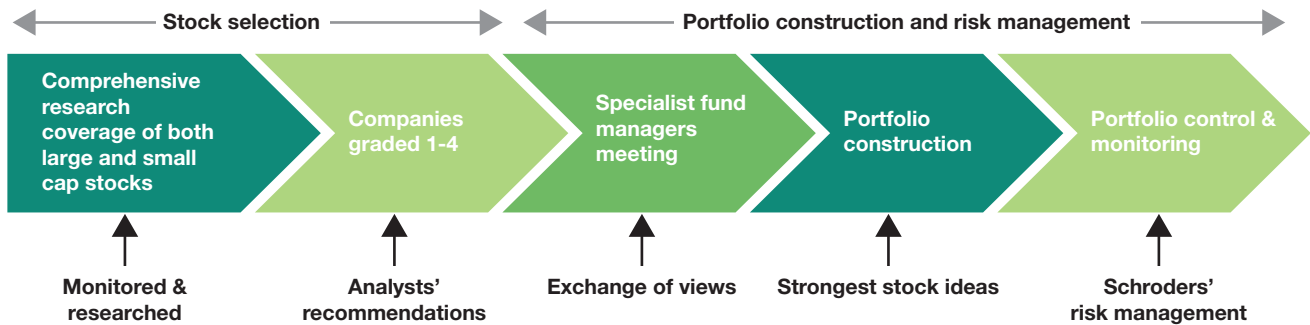
The research focuses on long-term value creation and strength of franchise, targeting undervalued companies where the long-term growth prospects are not fully priced in. The Manager prefers companies that can generate and sustain above average returns on their capital, and also looks for opportunities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

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

Strategic Report

ESG and Stewardship

Disciplined and repeatable approach



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

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

Portfolio construction

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

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

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

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

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

Within the Japanese equity market, where disclosure and analysis of ESG issues is relatively new, it is critically important to identify, and differentiate between, early signs of positive change, even if some of these still appear modest in comparison to other developed markets. By identifying strengths, weaknesses and changes in these areas, especially in governance, the Manager can materially strengthen their understanding of companies and improve investment decisions.

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

Schroders aims to continuously evolve and improve the investment approach to ensure that these processes remain forward-looking, especially in relation to ESG factors. The introduction of the Japanese Stewardship Code in 2014 and the Corporate Governance Code in 2015, together with subsequent revisions, has underlined the Japanese authorities’ desire to drive improvements in corporate governance. Schroders’ Japanese office became a signatory to the Japanese Stewardship Code in 2014 and in 2015, established a Stewardship Committee to engage with companies on their ESG activities with the aim of encouraging best practice and influencing change over time. The Manager’s commitment to

stewardship and corporate governance is evident in company research and in the debate that takes place both internally and when interacting with company management. Looking forward, further regulation on ESG disclosures is expected in Japan and the Manager has already begun proactively engaging with companies on these issues.

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

Engagement at work

Several of the Company’s holdings are included in the Manager’s focus list for engagement, including Toyota Industries, which produces automobile components plus forklift trucks and automation equipment.

We feel their progress on environmental related issues is slightly better than many of its global peers and the company holds some key technologies in environmental efficiency. However, we need to maintain pressure on the company to set realistic interim targets in order to meet its goal of carbon neutrality by 2050. In addition we find some challenges in both Social and Governance factors, especially in terms of measurable progression in employee relations, cross-shareholding structures and diversity at the board level. Nevertheless we believe progress can be made through an active dialogue with the company, and there is scope for a significant revaluation of the stock if tangible progress can be made within a realistic timeframe.

The future

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

Investment restrictions and spread of investment risk

The key restrictions imposed on the Manager are that: a) no more than 15% of the Company’s total net assets, at the date of acquisition, may be invested in any one company; b) no more than 10% of the value of the Company’s gross assets may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other listed companies; c) the Company will not invest more than 15% of its gross assets in other listed investment companies or investment trusts; d) no more than 15% of the Company’s total net assets may be invested in open-ended funds; and e) no more than 25% of the Company’s total net assets may be invested in the aggregate of unlisted investments and holdings representing 20% or more of the equity capital of any company.

Strategic Report

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 (66 investments spread over 26 sectors at 31 July 2022), the largest holding being Toyota Motor at 5.1%.

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 as well as their advisers.

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 also seeks active engagement with investors, and meetings with the Chairman are offered to investors when appropriate.

Shareholders are encouraged to sign up to the Manager's Investment Trusts update, to receive information on the Company directly <https://www.schroders.com/en/uk/adviser/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/never-miss-an-update/>.

Details of the Board's approach to discount management and share issuance may be found in the Chairman's Statement on page 2 and in the Annual General Meeting – Recommendations on page 58.

Relations with shareholders

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

In addition to the engagement and meetings held during the year described in "Promotion" on page 16, the chairs of the Board and committees and the other Directors attend the AGM and are available to respond to queries and concerns from shareholders.

Key performance indicators (KPIs)

The Board reviews performance using a number of key measures, to monitor and assess the Company's success in achieving its objective. Further comment on performance can be found in the Chairman's statement. The following KPIs are used:

- NAV performance;
- Share price discount;
- Share price premium; and
- Ongoing charges ratio.

Some KPIs are Alternative Performance Indicators (APIs), and further details can be found on page 2 and definitions of these terms on page 62.

Purpose, Values and Culture

The Company's purpose is to create long-term shareholder value, in line with the investment objective.

The Company's culture is driven by its values: Transparency, Engagement and Rigour, with collegial behaviour and constructive, robust challenge. The values are all centred on achieving returns for shareholders in line with the Company's investment objective. The Board is responsible for setting culture and communicating its values to its stakeholders by demanding high standards from service providers in order to deliver excellent performance for shareholders. The Board also promotes the effective management or mitigation of the risks faced by the Company and, to the extent it does not conflict with the investment objective, aims to structure the Company's operations with regard to all its stakeholders and take account of the impact of the Company's operations on the environment and community. Further details on ESG company engagement can be found on page 15.

Acting with high standards of integrity and transparency the Board is committed to encouraging a culture that is responsive to the views of shareholders and its wider stakeholders. As the Company has no employees and acts through its service providers, its culture is represented by the values and behaviour of the Board and third parties to which it delegates. The Board aims to fulfil the Company's investment objective by encouraging a culture of constructive challenge with all key suppliers and openness with all stakeholders. The Board is responsible for embedding the Company's culture in the Company's operations.

The Board recognises the Company's responsibilities with respect to corporate and social responsibility and engages with its outsourced service providers to safeguard the Company's interests. As part of this ongoing monitoring, the Board receives reporting from its service providers with respect to their anti-bribery and corruption policies; Modern Slavery Act 2015 statements; diversity policies; and greenhouse gas and energy usage reporting.

Responsible investment

The Company delegates to its Manager the responsibility for taking environmental, social and governance 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.

The Company voted all of its proxy votes in line with the Manager's corporate governance policy. This covered 886 resolutions, of which the Company voted against management recommendations or abstained in 6.12% of cases. Voting instructions are considered on a case by case basis and are a result of continued engagement with the Company's holdings. Where the Manager believes the interests of minority shareholders are not adequately protected, they may look to vote against a variety of issues. These can range from a lack of

Strategic Report

independence or diversity on Board's pay packages which are not aligned with performance and capital issuance requests which are not in minority shareholder interests.

In addition to the description of the Manager's integration of ESG into the investment process and the details in the Manager's Review, a description of the Manager's policy and its engagement with investee companies on these matters, can be found on the Schroders website at <https://www.schroders.com/en/sustainability/active-ownership/voting/>.

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

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

Corporate and Social Responsibility

Diversity

As at 31 July 2022, the Board comprised three men and three women. The Board has adopted a diversity and inclusion policy. With respect to recruitment of non-executive Directors, the Company has a strong commitment to appointing diverse candidates from a broad range of backgrounds and across genders these behaviours are set down in the policy. It will encourage any recruitment agencies it engages to find a diverse range of candidates that meet the objective criteria agreed for each appointment. Appointments will always be based on merit. Candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board taking into account the criteria for the role being offered. The Board reviews the Manager as a service provider annually at the management engagement committee.

Financial crime policy

The Company continues to be committed to carrying out its business fairly, honestly and openly operates a financial crime policy, covering bribery and corruption, tax evasion, money laundering, terrorist financing and sanctions, as well as seeking confirmations that the Company's service providers' policies are operating soundly.

Greenhouse gas emissions and energy usage

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

The Board's commitment to stakeholders – section 172 Companies Act 2006 statement

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

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

As detailed in "Promotion" on page 16 and Relations with Shareholders on page 16, the Company engages with its shareholders. The Board considered feedback by shareholders when making decisions relating to share buybacks and the dividend.

As detailed in "Purpose, Values and Culture" on page 16, the Board engages with service providers, and receives regular reporting, either directly, or through the Manager or Company Secretary, on performance and other matters. The effect of such engagement, if relevant, is detailed in the Chairman's Statement, Managers' Review, Audit and Risk Committee Report and Management Engagement Committee Report.

Principal decisions taken during the year were: (1) buybacks, (2) strategy and (3) Board changes. For each of these decisions the Board took into account feedback from shareholders, either directly or through service providers and advisers. The Board also took into account the views of its service providers, including the Manager. The Board is pleased to report its engagements were constructive and led to positive outcomes, as detailed in the Chairman's Statement and committee reports.

Strategic Report

Principal risks and uncertainties

The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the audit and risk committee on an ongoing basis. This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal risks and the monitoring system are also subject to robust assessment at least annually. The last assessment took place in October 2021.

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

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

Emerging risks and uncertainties

During the year, the Board also discussed and monitored a number of risks that could potentially impact the Company's ability to meet its strategic objectives. These were political risk and climate change risk. The Board has determined they are not currently, as detailed below, sufficiently material for the Company to be categorised as independent principal risks. The Board receives updates from the Manager, Company Secretary and other service providers on other potential risks that could affect the Company. The Board were mindful of emerging risks during the year including the conflict in Ukraine, rising inflation, the threat of a global recession and increasing energy prices although they are not factors which explicitly impacted the Company's performance.

Political risk includes the impact of geopolitical risk, regional tensions, trade wars and sanctions against companies. Currency rates and borrowings drawn down by the Company, as well as markets generally, may be affected by geopolitical developments. During the year, the Board noted that the invasion of Ukraine impacted political tensions, and impacted supply chains and interest rates. The Board is also mindful that changes to public policy in the US, UK, or in the Asia Pacific region, could impact the Company in the future. 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.

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

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

Risk	Mitigation and management	Change*
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 and the use of buy back authorities is considered on a regular basis. 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.	→

Strategic Report

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

Strategic Report

Risk assessment and internal controls review by the Board

Risk assessment includes consideration of the scope and quality of the systems of internal control operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the audit and risk committee, including the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition.

No significant control failings or weaknesses were identified from the audit and risk committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this report. The Board is satisfied that it has undertaken a detailed review of the risks facing the Company.

A full analysis of the financial risks facing the Company is set out in note 20 to the accounts on pages 52 to 57.

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 2022 and the potential impacts of the principal risks and uncertainties it faces for the review period. The Directors have assessed the Company's operational resilience and they are satisfied that the Company's outsourced service providers will continue to operate effectively, following the implementation of their business continuity plans.

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

In its assessment of the viability of the Company, the Directors have considered each of the Company's principal risks and uncertainties detailed on pages 18 and 19 and in particular the impact of a significant fall in Japanese equity markets on the value of the Company's investment portfolio. The Company's yen 6.0 billion term loan with Sumitomo Mitsui Banking Corporation Europe Limited that expired on 16 January 2022 was renewed on similar terms for a further three years. The Directors also considered the beneficial tax treatment the Company is eligible for as an investment trust. If changes to these taxation arrangements were to be made it would affect the viability of the Company to act as an effective investment vehicle.

Whilst the Company's articles of association require that a proposal for the continuation of the Company be put forward at the AGM in 2024, the Directors have no reason to believe such a resolution will not be passed by shareholders.

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

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

Based on the Company's processes for monitoring operating costs, the Board's view that the Manager has the appropriate depth and quality of resource to achieve superior returns in the

longer term, the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

Going concern

The Directors have assessed the principal risks, the impact of the emerging risks and uncertainties and the matters referred to in the viability statement. Based on the work the Directors have performed, they have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period assessed by the Directors, being the period to 30 November 2023 which is at least 12 months from the date the financial statements were authorised for issue.

By order of the Board

Schroder Investment Management Limited
Company Secretary

13 October 2022

Board of Directors



Anja Balfour

Status: Independent Non-Executive Chairman

Length of service: 9 years – appointed a director in May 2013 and Chairman in November 2018

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

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

Current remuneration: £39,000 per annum (effective from 1 August 2022)

Number of shares held: 49,000*



Alan Gibbs

Status: Senior Independent Non-Executive Director

Length of service: 6 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 a member of the Advisory Committee 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: £29,000 per annum (effective from 1 August 2022)

Number of shares held: 150,000*



Angus Macpherson

Status: Independent Non-Executive Director

Length of service: 2 years – appointed a director in February 2020

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

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

Current remuneration: £29,000 per annum (effective from 1 August 2022)

Number of shares held: 49,440*

Board of Directors



Belinda Richards

Status: Independent Non-Executive Director

Length of service: 4 years – appointed a director in January 2018

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

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

Current remuneration: £33,000 per annum (effective from 1 August 2022)

Number of shares held: 4,513



Philip Kay

Status: Chair designate

Length of service: 4 months – appointed a director in March 2022

Experience: Dr Kay has over 40 years' experience in the Japanese investment market. He is a former Director of Fidelity Japan Trust plc and of Schroder Securities Limited and of Smith New Court plc. He is currently Chair of Hansard Global plc, a London listed financial services business. He is also a Director of CQS Asian Macro Fund and The Raynar Investment Trust plc.

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

Current remuneration: £29,000 per annum (effective from 1 August 2022)

Number of shares held: nil



Helena Coles

Status: Independent Non-Executive Director

Length of service: 4 months – appointed a director in March 2022

Experience: Ms Coles has over 20 years' experience in emerging markets and Asian equity investment, which includes co-founding a specialist investment boutique, Rexiter Capital Management, part-owned by State Street Global Advisors. She has held roles with Fidelity International and the Bank of England. Helena is currently a non-executive Director of Shaftesbury plc and of JPMorgan Emerging Markets Investment Trust plc and Independent Investment Advisor to the Joseph Rowntree Charitable Trust.

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

Current remuneration: £29,000 per annum (effective from 1 August 2022)

Number of shares held: nil

*Shareholdings are as at 13 October 2022, full details of Directors' shareholdings are set out in the Remuneration Report on page 31.

Directors' Report

The Directors submit their report and the audited financial statements of the Company for the year ended 31 July 2022.

Directors and officers

Chairman

The Chairman is an independent non-executive director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman's significant commitments are detailed on page 21. She has no conflicting relationships.

Company Secretary

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

Role and operation of the Board

The Board of Directors, listed on pages 21 and 22 is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long-term success. The Board is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objective of the Company continues to be met. The Board also ensures that the Manager adheres to the investment restrictions set by the Board and acts within the parameters set by it in respect of any gearing. The Strategic Report on pages 13 to 20 sets out further detail of how the Board reviews the Company's strategy, risk management and internal controls and also includes other information required for the Directors' Report, and is incorporated by reference.

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

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

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

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

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

Key service providers

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

Manager

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

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 Company Secretary has an independent reporting line to the Manager and distribution functions within Schroders. The Manager has in place appropriate professional indemnity cover.

The Schroders Group manages £773.4 billion (as at 30 June 2022) 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 net value of the Company's assets under management.

The management fee payable in respect of the year ended 31 July 2022 amounted to £1,998,000 (2021: £1,934,000).

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 51.

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

Directors' Report

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

Depositary

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

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

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

Revenue, final dividend and dividend policy

The net revenue return for the year, before finance costs and taxation, was £6,975,000 (2021: £6,212,000). After deducting finance costs and taxation the amount available for distribution to shareholders was £6,073,000 (2021: £5,401,000) equivalent to net revenue of 4.97p (2021: 4.38p) per ordinary share.

The Directors have recommended the payment of a final dividend for the year of 4.90p per share (2021: 4.30p) payable on 9 December 2022 to shareholders on the register on 4 November 2022, subject to approval by shareholders at the Annual General Meeting on 5 December 2022.

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

Compliance with the AIC Code of Corporate governance

The Board of the Company has considered the principles and provisions of the AIC Code of Corporate Governance (the "AIC Code"). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional Provisions on issues that are of specific relevance to the Company. The Board considers that reporting against the Principles and Provisions of the AIC Code, provides more relevant information to shareholders.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adopts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Financial Conduct Authority requires all UK listed companies to disclose how they have complied with the provisions of the UK Code. This statement, together with the Statement of Directors' Responsibilities, viability statement and going concern statement set out on page 20, respectively, indicates how the Company has complied with the principles of good governance of the AIC Code and its requirements on internal control. The Strategic Report and Directors' Report provide further details on the Company's internal

controls (including risk management), governance and diversity policy.

The Board is satisfied that the Company's current governance framework is compliant with the AIC Code. The remuneration policy and remuneration of non-executive Directors are reviewed by the nomination committee and approved by the Board. The Company has neither executive Directors or employees, so does not apply the relating principles and provisions.

Committees

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

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

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

Status

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

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

It is not intended that the Company should have a limited life but the Directors consider it desirable that the shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the articles of association contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at the Annual General Meeting ("AGM") in 2024 and thereafter at five yearly intervals.

Share capital and substantial share interests

As at 7 October 2022, the Company had 121,827,372 ordinary shares of 10p in issue. No shares are held in treasury. Accordingly, the total number of voting rights in the Company as at 7 October 2022 121,827,372. Details of changes to the Company's share capital during the year end review are given in note 14 to the accounts on page 50. All shares in issue rank equally with respect to voting, dividends and any distribution on winding up.

The Board noted that the Company's shareholders appreciated the Board's discount management. The Board agreed to request renewal of the authorities to issue and buy back shares as described on page 2.

Directors' Report

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 2022	% of total voting rights
City of London Investment Management Company Limited	34,197,365	28.01
1607 Capital Partners, LLC	22,046,570	18.06
Allspring Global Investments, LLC	9,581,763	7.85
Lazard Asset Management LLC	5,926,190	7.47
Investec Wealth & Investment Limited	11,751,352	9.42
Wells Capital Management, Inc	6,277,080	5.02
Rathbone Brothers PLC	6,219,182	4.98

Following the period end and at the date of this report, the following shareholders notified the Company of changes to their holdings, varying the figures in the table above. In addition, City of London Investment Management notified the Company that its holding increased to 29.16% and Investec Wealth & Investment Limited reduced its position to 4.74%. The other figures remain the same.

Provision of information to the auditor

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

Directors' attendance at meetings

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

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

Director	Board	Nomination Committee	Audit and Risk Committee	Management Engagement Committee
Anja Balfour	6/6	2/2	2/2	1/1
Helena Coles ¹	2/2	1/1	1/1	1/1
Alan Gibbs	6/6	2/2	2/2	1/1
Philip Kay ²	3/3	1/1	2/2	1/1
Angus Macpherson	6/6	2/2	2/2	1/1
Belinda Richards	6/6	2/2	2/2	1/1

¹ Ms Coles was appointed on 30 March 2022.

² Dr Kay was appointed on 28 March 2022.

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

Directors' and officers' liability insurance and indemnities

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

By order of the Board

Schroder Investment Management Limited
Company Secretary

13 October 2022

Audit and Risk Committee Report

The responsibilities and work carried out by the audit and risk committee during the year under review are set out in the following report. The duties and responsibilities of the committee, which include monitoring the integrity of the Company's financial reporting and internal controls, are set out in further detail below, and may be found in the terms of reference which are set out on the Company's webpages, www.schroders.co.uk/japangrowth.

All Directors are members of the committee. Belinda Richards is the chair of committee. 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 relevant to the sector in which the company operates.



Approach

The committee's key roles and responsibilities are set out below.

Risks and Internal Controls	Financial Reports and Valuation	Audit
<p>Principal risks To establish a process for identifying, assessing, managing and monitoring emerging and principal risks of the Company.</p>	<p>Financial statements To monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance and valuation. To review the half year report.</p>	<p>Audit results To discuss any matters arising from the audit and recommendations made by the auditor.</p>
<p>Emerging risks and uncertainties To ensure a robust assessment of the Company's emerging and principal risks and procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated.</p>	<p>Going concern To review the position and make recommendations to the Board in relation to whether it considers it appropriate to adopt the going concern basis of accounting in preparing its annual and half-yearly financial statements.</p>	<p>Auditor appointment, independence and performance To make recommendations to the Board, in relation to the appointment, re-appointment, effectiveness and removal of the external auditor, to review their independence, and to approve their remuneration and terms of engagement. Reviewing the audit plan and engagement letter.</p>
<p>Internal controls To undertake a robust annual review of the adequacy and effectiveness of internal controls.</p>		

The below table sets out how the committee discharged its duties during the year. The committee met twice during the year. Further details on attendance can be found on page 25. An evaluation of the committee's effectiveness and review of its terms of reference was completed during the year.

Significant issues identified during the committee's review of the Company's principal risks and uncertainties, and key matters communicated by the auditor during its reporting are outlined in blue.

Application during the year

Risks and Internal Controls	Financial Reports and Valuation	Audit
<p>Service provider controls Reviewing the operational controls maintained by the Manager, depository and registrar.</p>	<p>Recognition of investment income Considered dividends received against forecast and the allocation of special dividends to income or capital.</p>	<p>Effectiveness of the independent audit process and auditor performance Evaluated the effectiveness of the independent audit firm and process prior to making a recommendation that it should be re-appointed at the forthcoming AGM. Evaluated 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 was considered, alongside feedback from the Manager on the audit process. Professional scepticism of the auditor was questioned and the committee was satisfied with the auditor's replies.</p>



Audit and Risk Committee Report

Application during the year		
Risks and Internal Controls	Financial Reports and Valuation	Audit
<p>Internal controls and risk management Consideration of several key aspects of internal control and risk management operating within the Manager, depositary and registrar, including assurance reports and presentations on these controls.</p>	<p>Calculation of the investment management fee and performance fee Consideration of methodology used to calculate the fees, matched against the criteria set out in the AIFM agreement.</p>	<p>Auditor independence Deloitte LLP has provided audit services to the Company since it was appointed on 19 June 2019. The auditors are required to rotate the senior statutory auditor every five years. There are no contractual obligations restricting the choice of external auditors. This is the fourth year that the senior statutory auditor, Chris Hunter has conducted the audit of the Company's financial statements.</p>
<p>Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010 Consideration of the Manager's report confirming compliance.</p>	<p>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.</p>	<p>Audit results Met with and reviewed a comprehensive report from the auditor which detailed the results of the audit, compliance with regulatory requirements, safeguards that have been established, and on their own internal quality control procedures.</p>
<p>Principal risks Reviewing the principal risks faced by the Company and the system of internal control.</p>	<p>Valuation and existence of holdings Quarterly review of portfolio holdings and assurance reports.</p>	<p>Meetings with the auditor Met the auditors without representatives of the Manager present. Representatives of the auditors attended the committee meeting at which the draft annual report and accounts was considered.</p>
	<p>Fair, balanced and understandable Reviewed the annual report and accounts to ensure that it was fair, balanced and understandable.</p>	<p>Provision of non-audit services by the auditor The committee has reviewed the FRC's Guidance on Audit Committees and has formulated a policy on the provision of non-audit services by the Company's auditor. The committee has determined that the Company's appointed auditor will not be considered for the provision of certain non-audit services, such as accounting and preparation of the financial statements, internal audit and custody. The auditor may, if required, provide other non-audit services which will be judged on a case-by-case basis. The auditor did not provide any non-audit services to the Company during the year.</p>
	<p>Going concern and viability Reviewing the impact of risks on going concern and longer-term viability.</p>	<p>Consent to continue as auditor Deloitte LLP indicated to the committee their willingness to continue to act as auditor.</p>



Recommendations made to, and approved by, the Board:

As a result of the work performed, the committee has concluded that the annual report for the year ended 31 July 2022, 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 33.

Having reviewed the performance of the auditors as described above, the committee considered it appropriate to recommend the firm's re-appointment. 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.

Belinda Richards

Audit and risk committee chair

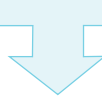
13 October 2022

Management Engagement Committee Report

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

Approach

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



Application during the year

<p>The committee undertook a detailed review of the Manager's performance and agreed that it has the appropriate depth and quality of resource to deliver superior returns over the longer term.</p> <p>The committee also reviewed the terms of the AIFM agreement and agreed they remained fit for purpose.</p> <p>The committee reviewed the other services provided by the Manager and agreed they were satisfactory.</p> <p>The committee reviewed the progress of the company with respect to the conditional tender offer conditions and noted that for the financial year the company had delivered performance in excess over the conditions.</p>	<p>The annual review of each of the service providers was satisfactory.</p> <p>The committee noted that the audit and risk committee had undertaken a detailed evaluation of the Manager, registrar, and depositary and custodian's internal controls.</p>
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Recommendations made to, and approved by, the Board:

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

Nomination Committee Report

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

Oversight of Directors



Approach		
Selection and induction	Board evaluation and Directors' fees	Succession
<ul style="list-style-type: none"> • Committee prepares a job specification for each role, and an independent recruitment firm is appointed. For the Chairman and the chairs of committees, the committee considers current Board members too. • Job specification outlines the knowledge, professional skills, personal qualities and experience requirements. • Potential candidates assessed against the Company's diversity policy. • Committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the Board. • Committee reviews the induction and training of new Directors. 	<ul style="list-style-type: none"> • Committee assesses each director annually. • Evaluation focuses on whether each director continues to demonstrate commitment to their role and provides a valuable contribution to the Board during the year, taking into account time commitment, independence, conflicts and training needs. • Following the evaluation, the committee provides a recommendation to shareholders with respect to the annual re-election of Directors at the AGM. • All Directors retire at the AGM and their re-election is subject to shareholder approval. • Committee reviews Directors' fees, taking into account comparative data and reports to shareholders. • Any proposed changes to the remuneration policy for Directors are discussed and reported to shareholders. 	<ul style="list-style-type: none"> • The Board's succession policy is that Directors' tenure will be for no longer than nine years, except in exceptional circumstances, and that each Director will be subject to annual re-election at the AGM. • Committee reviews the Board's current and future needs at least annually. Should any need be identified the committee will initiate the selection process. • Committee oversees the handover process for retiring Directors.
<p>For application see page 30</p>		

Nomination Committee Report

Application during the year		
Selection and induction	Board evaluation and Directors' fees	Succession
<ul style="list-style-type: none"> The committee appointed Cornforth Consulting, an independent search agency with no connections to the Board, to lead the process of appointing two new Directors. The committee reviewed the long and short list and invited a number of candidates for interview. The committee interviewed a number of candidates and following that process appointed Dr Philip Kay as Chair designate and Ms Helena Coles as a non-executive Director. Directors were selected based on their skills and experience, their full biographies are on pages 21 and 22. 	<ul style="list-style-type: none"> The Board evaluation was undertaken in July 2022. The Chairman reported on the effectiveness of the Board, herself and its leadership following the internal evaluation lead by the Chairman and Senior independent director where appropriate. The committee also reviewed each Director's time commitment and independence by reviewing a complete list of appointments, including pro bono not for profit roles, to ensure that each Director remained free from conflict and had sufficient time available to discharge each of their duties effectively. All Directors were considered to be independent in character and judgement. The committee considered each Director's contributions, and noted that in addition to extensive experience as professionals and non-executive Directors, each director had valuable skills and experience, as detailed in their biographies on pages 21 and 22. 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 considered the future needs of the Company and the effect of individual Directors leaving and whether this would create a skills/knowledge/experience gap. The committee noted that the Chairman of the Board will be retiring at the 2022 AGM.



Recommendations made to, and approved by, the Board:

- That all Directors continue to demonstrate commitment to their roles, provide a valuable contribution to the deliberations of the Board, remuneration of the Directors was appropriate and Directors 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 to £39,000 for the Chairman, and £29,000 for non-executive Directors and £33,000 for the audit chair.
- That the Board increase the number of Directors to six which will decrease to five following the AGM to allow for sufficient handover.
- That the Remuneration Report be put to shareholders for approval.

Directors' Remuneration Report for the year ended 31 July 2022

Introduction

The following remuneration policy is currently in force and is subject to a binding vote every three years. The next vote will take place at the 2023 AGM 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 23 November 2020, 99.95% 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 0.05% were against and 39,160 votes were withheld.

Also at the AGM held on 7 December 2021, 99.96% 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 2021 were in favour, while 6.04% were against and 28,844 votes were withheld.

Directors' remuneration policy

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

It is the nomination committee's policy to determine the level of Directors' remuneration having regard to amounts payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of Board and committee responsibilities, and time committed to the Company's affairs, taking into account the aggregate limit of fees set out in the Company's articles of association. This aggregate level of Directors' fees is currently set at £200,000 per annum.

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. Any Director who performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a director, may be paid additional remuneration to be determined by the Directors, subject to the previously mentioned fee cap.

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

Implementation of policy

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

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

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

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

Directors' annual report on remuneration

This report sets out how the Directors' remuneration policy was implemented during the year ended 31 July 2022.

Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the Board in June 2022. The members of the Board at the time that remuneration levels were considered were as set out on pages 21 and 22. Although no external advice was sought in considering the levels of Directors' fees, information on fees paid to directors of other investment trusts managed by Schroders and peer group companies provided by the Manager and corporate broker was taken into consideration as was independent third party research.

Following the review of Directors' fees by the nomination committee. The nomination committee proposed an increase to all Directors' fees as detailed in its report. The new fees are effective from 1 August 2022. (Chairman £39,000, audit and risk committee chair £33,000, non-executive directors £29,000). The Board approved this recommendation.

Directors' Remuneration Report for the year ended 31 July 2022

Fees paid to Directors

The following amounts were paid by the Company to directors for their services in respect of the year ended 31 July 2022 and the preceding financial year. Directors' remuneration is all fixed; they do not receive any variable remuneration. The performance of the Company over the financial year is presented on page 2, under the heading "Financial highlights".

Director	Salary/Fees		Taxable benefits ¹		Total		Change in annual fee over years ended 31 July		
	2022 £	2021 £	2022 £	2021 £	2022 £	2021 £	2022 %	2021 %	2020 %
Anja Balfour (Chairman)	38,000	37,000	3,327	624	41,327	37,624	2.7	0.0	2.8
Helena Coles ²	9,487	-	-	-	9,487	-	N/a	N/a	N/a
Alan Gibbs	28,000	27,000	1,024	-	29,024	27,000	3.7	0.0	2.9
Philip Kay ³	9,640	-	-	-	9,640	-	N/a	N/a	N/a
Angus Macpherson	28,000	27,000	404	-	28,404	27,000	3.7	0.0	N/a
Belinda Richards	32,100	31,100	404	-	32,504	31,100	3.2	0.0	2.8
Total	145,227	122,100	5,159	624	150,386	122,724			

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

² Appointed as a Director on 30 March 2022.

³ Appointed as a Director on 28 March 2022.

The information in the above table has been audited.

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000	% change
Remuneration payable to Directors	150	123	22.0
Distributions paid to shareholders – dividends	5,249	6,106	(14.0)

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.

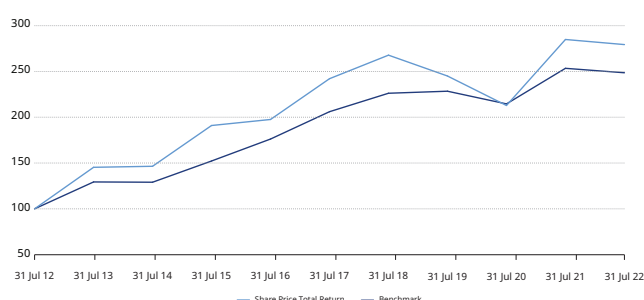
	At 31 July 2022	At 31 July 2021
Anja Balfour	49,000	38,000
Helena Coles ¹	nil	nil
Alan Gibbs	150,000	100,000
Philip Kay ²	nil	nil
Angus Macpherson	49,440	49,440
Belinda Richards	4,513	nil

¹ Appointed as a Director on 30 March 2022.

² Appointed as a Director on 28 March 2022.

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



¹ Source: Morningstar/Thomson Reuters.

Returned to 100 at 31 July 2012.

Definitions of terms and performance measures are provided on page 62.

Anja Balfour
Chairman
13 October 2022

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

Each of the Directors, whose names and functions are listed in the Board of Directors on pages 21 and 22 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

13 October 2022

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

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Schroder Japan Growth Fund plc (the ‘company’):

- have been prepared in accordance with the requirements of the Companies Act 2006.
- give a true and fair view of the state of the company’s affairs as at 31 July 2022 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and the Statement of Recommended Practice issued by the Association of Investment Companies in October 2019 “Financial Statements of Investment Trust Companies and Venture Capital Trusts”; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

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





2. Basis for opinion

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

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

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

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: – Valuation and existence of investments.
	Within this report, key audit matters are identified as follows:  Newly identified  Increased level of risk  Similar level of risk  Decreased level of risk
Materiality	The materiality that we used in the current year was £2.81m which was determined on the basis of 1% of net assets.
Scoping	We performed our audit scoping based upon quantitative and qualitative risk assessment factors for each account balance recorded as at 31 July 2022.
Significant changes in our approach	There have been no significant changes to our audit approach in the current year.

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

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Considering as part of our risk assessment the nature of the company, its business model and related risks, the requirements of the applicable financial reporting framework and the system of internal control;
- Evaluating the underlying data and key assumptions used to make the assessment, and evaluating the directors' plans for future actions in relation to their going concern assessment;
- Assessing the liquidity and ability of the Manager to trade in the investment portfolio to cover operational expenditure as appropriate; and
- Assessing the appropriateness of the directors' going concern disclosure in note 1 to the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the company has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.





Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

5. Key audit matters

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

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

Valuation and ownership of investments 	
<p>Key audit matter description</p> 	<p>The investments of the Company of £313.5m (2021: £313.9m) make up 97.9% (2021: 96.7%) of total assets of the Company at 31 July 2022.</p> <p>See the accounting policy in note 1(b) of the Financial Statements and note 10 of the Financial Statements.</p> <p>There is a risk that the quoted investments may not be valued correctly or may not represent the property of the Company. Given the nature and size of the balance and its importance to the Company, we have considered that there is a potential risk of fraud in this area.</p>
<p>How the scope of our audit responded to the key audit matter</p> 	<p>We performed the following procedures to address the risk identified:</p> <ul style="list-style-type: none"> - obtained an understanding of controls in place over the ownership and valuation of investments, including a review of the relevant service providers' internal controls assurance reports; - agreed 100% of the Company's investment portfolio at the year end to confirmations received directly from the custodian, HSBC; - agreed 100% of the bid prices of quoted investments on the investment ledger at year end to closing bid prices published by an independent pricing source; and - evaluated the appropriateness of disclosures in relation to fair value measurements and liquidity risk.
<p>Key observations</p> 	<p>Based on the work performed, we concluded that the valuation and ownership of investments were recorded appropriately.</p>

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

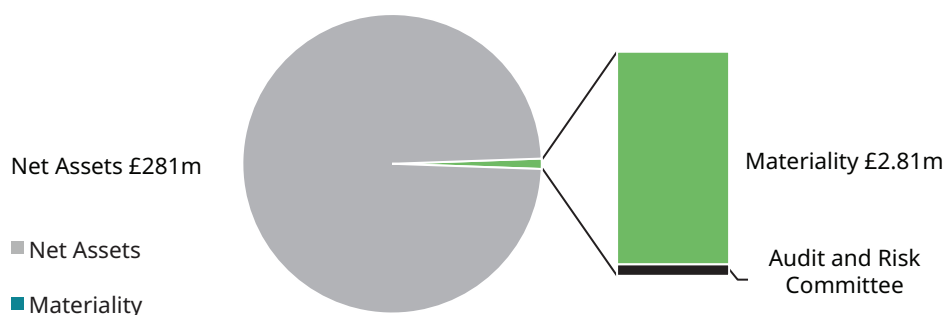
6. Our application of materiality

6.1 Materiality

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

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

Materiality	£2.81m (2021: £2.84m)
Basis for determining materiality	1% of net assets (2021: 1% of net assets)
Rationale for the benchmark applied	We have used net assets as our materiality benchmark as we consider it to be the most relevant indicator of the company's performance for the users of the Financial Statements, as well as being a key driver of shareholder value.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2022 audit (2021: 70%). In determining performance materiality, we considered the following factors:

- The company's structure and operating model.
- The lack of changes to accounting policies during the current period which would require significant judgement.
- Our experience from prior period audits, where there has not been a history of uncorrected misstatements or controls deficiencies identified over significant risk areas at the administrator, custodian or manager.

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.14m (2021: £0.14m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit scope was determined by obtaining an understanding of the company and its environment, including internal controls, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

A third-party administrator maintains the books and records of the Company. Our audit therefore included obtaining an understanding of the controls at this service organisation, to the extent that they are relevant to the Company. We obtained an external auditor's ISAE 3402 report for the period from 1 April 2021 to 31 March 2022 which documents the suitability of design and implementation and operating effectiveness of controls. We obtained an understanding of the controls relevant to our audit.

As the reporting date of the Company is 31 July 2022, we have obtained a bridging letter for the period from 1 April 2022 to 31 July 2022 detailing that there have not been any material changes to the internal control environment nor any material deficiencies

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

in the internal controls. We have, however, not relied on the controls report of the administrator given we perform 100% testing over our significant risk audit areas.

8. Other information

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

We have nothing to report in this regard.

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.

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 course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

9. Responsibilities of directors

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

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

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

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and

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

- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team and relevant internal specialists, including IT and financial instrument specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and Investment Trust Tax Regulations.

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

11.2. Audit response to risks identified

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

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

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

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

Report on other legal and regulatory requirements

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

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

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

- the information given in the strategic report and the directors' report for the 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.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 20;

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

- the directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 20;
- the directors' statement on fair, balanced and understandable set out on page 33;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 18;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 18; and
- the section describing the work of the Audit and Risk Committee set out on pages 26 and 27.

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

14.1 Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

14.2 Directors' remuneration

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

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1 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 year ending 31 July 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years, covering the years ending 31 July 2019 to 31 July 2022.

15.2 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).

16. 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 (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Aberdeen, United Kingdom

13 October 2022

Income Statement for the year ended 31 July 2022

	Note	Revenue £'000	2022 Capital £'000	Total £'000	Revenue £'000	2021 Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	2	-	(3,439)	(3,439)	-	52,170	52,170
Net foreign currency gains		-	2,076	2,076	-	3,073	3,073
Income from investments	3	8,208	-	8,208	7,308	-	7,308
Other interest receivable and similar income	3	3	-	3	-	-	-
Gross return/(loss)		8,211	(1,363)	6,848	7,308	55,243	62,551
Investment management fee	4	(599)	(1,399)	(1,998)	(580)	(1,354)	(1,934)
Administrative expenses	5	(637)	-	(637)	(516)	-	(516)
Net return/(loss) before finance costs and taxation		6,975	(2,762)	4,213	6,212	53,889	60,101
Finance costs	6	(81)	(189)	(270)	(80)	(186)	(266)
Net return/(loss) before taxation		6,894	(2,951)	3,943	6,132	53,703	59,835
Taxation	7	(821)	-	(821)	(731)	-	(731)
Net return/(loss) after taxation		6,073	(2,951)	3,122	5,401	53,703	59,104
Return/(loss) per share	8	4.97p	(2.42)p	2.55p	4.38p	43.55p	47.93p

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 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 44 to 57 form an integral part of these accounts.

Statement of Changes in Equity for the year ended 31 July 2022

	Called-up share capital £'000	Share redemption premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2020	12,478	7	23	3	96,807	119,595	7,215	236,128
Repurchase of the Company's own shares for cancellation	(264)	-	264	-	(5,267)	-	-	(5,267)
Net return after taxation	-	-	-	-	-	53,703	5,401	59,104
Dividend paid in the year	9	-	-	-	-	-	(6,106)	(6,106)
At 31 July 2021	12,214	7	287	3	91,540	173,298	6,510	283,859
Repurchase of the Company's own shares for cancellation	(14)	-	14	-	(303)	-	-	(303)
Net (loss)/return after taxation	-	-	-	-	-	(2,951)	6,073	3,122
Dividend paid in the year	9	-	-	-	-	-	(5,249)	(5,249)
At 31 July 2022	12,200	7	301	3	91,237	170,347	7,334	281,429

The notes on pages 44 to 57 form an integral part of these accounts.

Statement of Financial Position at 31 July 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	313,454	313,907
Current assets			
Debtors	11	1,113	1,003
Cash at bank and in hand		5,626	9,774
		6,739	10,777
Current liabilities			
Creditors: amounts falling due within one year	12	(1,872)	(40,825)
Net current assets/(liabilities)		4,867	(30,048)
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	13	(36,892)	-
Net assets		281,429	283,859
Capital and reserves			
Called-up share capital	14	12,200	12,214
Share premium	15	7	7
Capital Redemption reserve	15	301	287
Warrant exercise reserve	15	3	3
Share purchase reserve	15	91,237	91,540
Capital reserves	15	170,347	173,298
Revenue reserve	15	7,334	6,510
Total equity shareholders' funds		281,429	283,859
Net asset value per share	16	230.68p	232.40p

These accounts were approved and authorised for issue by the Board of Directors on 13 October 2022 and signed on its behalf by:

Anja Balfour
Chairman

The notes on pages 44 to 57 form an integral part of these accounts.

Registered in England and Wales
Company registration number: 02930057

Notes to the Accounts for the year ended 31 July 2022

1. Accounting Policies

(a) Basis of accounting

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

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), in particular in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in April 2021. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. The directors believe that the Company has adequate resources to continue operating to 30 November 2023, which is at least 12 months from the date of approval of these accounts. In forming this opinion, the directors have taken into consideration: the controls and monitoring processes in place; the Company's low level of debt and other payables; the low level of operating expenses, comprising largely variable costs which would reduce pro rata in the event of a market downturn; and that the Company's assets comprise cash and readily realisable securities quoted in active markets. In forming this opinion, the directors have also considered any potential impact of the COVID-19 pandemic and climate change on the viability of the Company. Further details of directors' considerations regarding this are given in the Chairman's Statement, Portfolio Managers' Review, Going Concern Statement, Viability Statement and under the Emerging Risks and uncertainties heading on page 20.

The Company has not presented a statement of cash flows, as it is not required for an investment trust which meets certain conditions; in particular that substantially all of the Company's investments are highly liquid and carried at market value.

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 2021.

Other than the directors' assessment of going concern, no significant judgements, estimates or assumptions have been required in the preparation of the accounts for the current or preceding financial year.

(b) Valuation of investments

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

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

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

(c) Accounting for reserves

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

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

(d) Income

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

Overseas dividends are included gross of any withholding tax.

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

Notes to the Accounts for the year ended 31 July 2022

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

(e) Expenses

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

- The investment management fee is allocated 30% to revenue and 70% to capital in line with the board's expected long-term split of revenue and capital return from the Company's investment portfolio.
- Expenses incidental to the purchase or sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and mainly comprise brokerage commission. Details of transaction costs are given in note 10 on page 48.

(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 determine 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 for the year ended 31 July 2022

(k) Repurchase of Ordinary Shares

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

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

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

	2022 £'000	2021 £'000
Gains on sales of investments based on historic cost	17,772	20,136
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(18,239)	(9,665)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	(467)	10,471
Net movement in investment holding gains and losses	(2,972)	41,699
(Losses)/gains on investments held at fair value through profit and loss	(3,439)	52,170

3. Income

	2022 £'000	2021 £'000
Income from investments:		
Overseas dividends	8,208	7,308
Other interest receivable and similar income		
Deposit interest	3	-
Total income	8,211	7,308

4. Investment management fee

	Revenue £'000	2022 Capital £'000	Total £'000	Revenue £'000	2021 Capital £'000	Total £'000
Management fee	599	1,399	1,998	580	1,354	1,934

The basis for calculating the investment management fee is set out in the Report of the Directors on page 23 and details of all amounts payable to the Manager are given in note 17 on page 51.

5. Administrative expenses

	2022 £'000	2021 £'000
Administration expenses	316	220
Directors' fees ¹	145	122
Company secretarial fee	90	90
Marketing support fee	50	50
Auditors' remuneration for audit services	36	34
	637	516

¹ Details of all amounts payable to directors are given in the Remuneration Report on page 31.

Notes to the Accounts for the year ended 31 July 2022

6. Finance costs

	Revenue £'000	2022 Capital £'000	Total £'000	Revenue £'000	2021 Capital £'000	Total £'000
Interest on bank loans and overdrafts	81	189	270	80	186	266

7. Taxation

	2022 £'000	2021 £'000
(a) Analysis of charge for the year:		
Irrecoverable overseas tax	821	731
Taxation	821	731

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2021: lower) than the Company's applicable rate of corporation tax for the year of 19% (2021: 19%).

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

	Revenue £'000	2022 Capital £'000	Total £'000	Revenue £'000	2021 Capital £'000	Total £'000
Net return/(loss) before taxation	6,894	(2,951)	3,943	6,132	53,703	59,835
Net return/(loss) before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19% (2021: 19%)	1,310	(561)	749	1,165	10,203	11,368
Effects of:						
Capital losses/(gains) on investments	-	259	259	-	(10,496)	(10,496)
Income not chargeable to corporation tax	(1,560)	-	(1,560)	(1,388)	-	(1,388)
Unrelieved expenses	250	302	552	223	293	516
Irrecoverable overseas tax	821	-	821	731	-	731
Taxation for the year	821	-	821	731	-	731

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £9,947,000 (2021: £7,008,000) based on a prospective corporation tax rate of 25.0% (2021: 19%). In its 2021 budget, the UK government announced that the main rate of corporation tax would increase to 25% for the fiscal year beginning on 1 April 2023.

This 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 for the year ended 31 July 2022

8. Return/(loss) per share

	2022 £'000	2021 £'000
Revenue return	6,073	5,401
Capital (loss)/return	(2,951)	53,703
Total return	3,122	59,104
Weighted average number of ordinary shares in issue during the year	122,078,782	123,317,478
Revenue return per share	4.97p	4.38p
Capital (loss)/return per share	(2.42)p	43.55p
Total return per share	2.55p	47.93p

9. Dividends

Dividend paid and proposed

	2022 £'000	2021 £'000
2021 final dividend of 4.30p (2021: 4.80p) paid out of revenue profits	5,249 ¹	6,106
2022 final dividend proposed of 4.90p (2021: 4.30) to be paid out of revenue profits	5,978	5,252

¹ The 2021 final dividend amounted to £5,252,000. However the amount actually paid was £5,249,000 as shares were repurchased and cancelled, after the accounting date, but prior to the dividend Record Date.

The proposed dividend amounting to £5,978,000 (2021: £5,252,000) is the amount used for the basis of determining whether the Company has satisfied the distribution requirements of Section 1158 of the Corporation Tax Act 2010. The revenue available for distribution by way of dividend for the year is £6,073,000 (2021: £5,401,000).

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

	2022 £'000	2021 £'000
Opening book cost	243,965	230,172
Opening investment holding gains	69,942	37,908
Opening fair value	313,907	268,080
Analysis of transactions made during the year		
Purchases at cost	69,606	79,807
Sales proceeds received	(66,620)	(86,150)
(Losses)/gains on investments held at fair value	(3,439)	52,170
Closing fair value	313,454	313,907
Closing book cost	264,723	243,965
Closing investment holding gains	48,731	69,942
Closing fair value	313,454	313,907

All investments are listed on a recognised stock exchange.

The Company received £66,620,000 (2021: £86,150,000) from disposal of investments in the year. The book cost of these investments when they were purchased were £48,848,000 (2021: £66,014,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Notes to the Accounts for the year ended 31 July 2022

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

	2022 £'000	2021 £'000
On acquisitions	16	19
On disposals	14	19
	30	38

11. Debtors

	2022 £'000	2021 £'000
Securities sold awaiting settlement	800	653
Dividends and interest receivable	295	329
Other debtors	18	21
	1,113	1,003

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

12. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Bank loan	–	39,321
Securities purchased awaiting settlement	1,177	859
Other creditors and accruals	695	645
	1,872	40,825

The bank loan at the prior year end comprised a yen 6.0 billion three-year term loan from Sumitomo Mitsui Banking Corporation Europe Limited, and which carried a fixed rate of interest of 0.64% per annum. This loan expired in January 2022 and was replaced by a floating rate term loan, detailed in note 13 below.

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

	2022 £'000	2021 £'000
Bank loan	36,892	–

The bank loan is a yen 6.0 billion three-year term loan from SMBC Bank International plc (formerly Sumitomo Mitsui banking Corporation Europe Limited), expiring in January 2025 and carrying a floating interest rate, calculated at the daily Compounded Risk Free Rate, plus a margin. The loan is unsecured, but is subject to certain undertakings and restrictions, all of which have been complied with. The directors consider that the carrying amount of the loan approximates to its fair value.

In addition to the term loan detailed above, the Company has a yen 2.0 billion credit facility available from Sumitomo Mitsui Banking Corporation, London Branch, which was undrawn at the year end (2021: undrawn). Further details of the facility are given in note 20(a)(ii) on page 54.

Notes to the Accounts for the year ended 31 July 2022

14. Called-up share capital

	2022 £'000	2021 £'000
Ordinary shares allotted, called-up and fully paid:		
Opening balance of 122,143,262 (2021: 124,776,700) ordinary shares of 10p each	12,214	12,478
Repurchase and cancellation of 142,700 (2021: 2,633,438) shares	(14)	(264)
Closing balance of 122,000,562 (2021: 122,143,262) shares	12,200	12,214

During the year, the Company purchased 142,700 of its own shares, nominal value £14,270, for cancellation, for a total consideration of £302,000, representing 0.11% of the shares outstanding at the beginning of the year. The reason for these share repurchases was to seek to manage the volatility of the share price discount to net asset value per share.

15. Reserves

Year ended 31 July 2022

	Share premium ¹ £'000	Capital redemption reserve ¹ £'000	Warrant exercise reserve ¹ £'000	Share purchase reserve ² £'000	Capital reserves Gains and losses on sales of investments ² £'000	Investment holding gains and losses ³ £'000	Revenue reserve ⁴ £'000
Opening balance	7	287	3	91,540	100,043	73,255	6,510
Losses on sales of investments based on the carrying value at the previous balance sheet date	-	-	-	-	(467)	-	-
Net movement in investment holding gains and losses	-	-	-	-	-	(2,972)	-
Transfer on disposal of investments	-	-	-	-	18,239	(18,239)	-
Realised exchange losses on cash and short-term deposits	-	-	-	-	(354)	-	-
Exchange gains/(losses) on foreign currency loan	-	-	-	-	4,035	(1,605)	-
Management fee and finance costs allocated to capital	-	-	-	-	(1,588)	-	-
Share repurchases for cancellation	-	14	-	(303)	-	-	-
Dividend paid	-	-	-	-	-	-	(5,249)
Retained revenue for the year	-	-	-	-	-	-	6,073
Closing balance	7	301	3	91,237	119,908	50,439	7,334

Notes to the Accounts for the year ended 31 July 2022

Year ended 31 July 2021

	Share premium ¹ £'000	Capital redemption reserve ¹ £'000	Warrant exercise reserve ¹ £'000	Share purchase reserve ² £'000	Capital reserves Investment Gains and losses on sales of investments ² £'000	holding gains and losses ³ £'000	Revenue reserve ⁴ £'000
Opening balance	7	23	3	96,807	82,290	37,305	7,215
Gains on sales of investments based on the carrying value at the previous balance sheet date	-	-	-	-	10,471	-	-
Net movement in investment holding gains and losses	-	-	-	-	-	41,699	-
Transfer on disposal of investments	-	-	-	-	9,665	(9,665)	-
Realised exchange losses on cash and short-term deposits	-	-	-	-	(843)	-	-
Exchange gains on foreign currency loan	-	-	-	-	-	3,916	-
Management fee and finance costs allocated to capital	-	-	-	-	(1,540)	-	-
Share repurchases for cancellation	-	264	-	(5,267)	-	-	-
Dividend paid	-	-	-	-	-	-	(6,106)
Retained revenue for the year	-	-	-	-	-	-	5,401
Closing balance	7	287	3	91,540	100,043	73,255	6,510

¹ These reserves are not distributable.

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

³ This 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.

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

16. Net asset value per share

	2022	2021
Net assets attributable to shareholders (£'000)	281,429	283,859
Shares in issue at the year end	122,000,562	122,143,262
Net asset value per share	230.68p	232.40p

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 Report of the Directors on page 23. 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 2022 amounted to £1,998,000 (2021: £1,934,000), of which £502,000 (2021: £507,000) was outstanding at the year end. The marketing support fee payable to the Manager amounted to £50,000 (2021: £50,000) of which £13,000 (2021: £13,000) was outstanding at the year end. The company secretarial fee payable to the Manager amounted to £90,000 (2021: £90,000) of which £23,000 (2021: £23,000) was outstanding at the year end.

18. Related party transactions

Details of the remuneration payable to Directors are given in the Remuneration Report on page 32 and details of Directors' shareholdings are given in in the Report of the Directors on page 32. Details of transactions with the Manager are given in note 17 above. There have been no other transactions with related parties during the year (2021: nil).

Notes to the Accounts for the year ended 31 July 2022

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 44.

At 31 July 2022, all investments in the Company's portfolio are categorised as Level 1 (2021: same).

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

	Level 1 £'000	2022 Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	313,454	–	–	313,454

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

	Level 1 £'000	2021 Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	313,907	–	–	313,907

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

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

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

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

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

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, the purpose of which are to manage working capital requirements and to gear the Company as appropriate.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements: currency risk, interest rate risk and market price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) to (iii) of this note, together with sensitivity analyses where appropriate. The board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

Notes to the Accounts

for the year ended 31 July 2022

(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 the exchange rate 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.

	2022 £'000	2021 £'000
Debtors (securities sold awaiting settlement, dividends and interest receivable)	1,093	982
Cash at bank and in hand	1,363	6,867
Creditors (securities purchased awaiting settlement)	(1,177)	(859)
Bank loans (including accrued interest payable)	(36,905)	(39,332)
Foreign currency exposure on net monetary items	(35,626)	(32,342)
Investments held at fair value through profit or loss that are equities	313,454	313,907
Total net foreign currency exposure	277,828	281,565

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% (2021: 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:

	2022 £'000	2021 £'000
Income statement – return after taxation		
Revenue return	731	650
Capital return	(3,582)	(3,253)
Total return after taxation for the year	(2,851)	(2,603)
Net assets	(2,851)	(2,603)

Notes to the Accounts for the year ended 31 July 2022

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

	2022 £'000	2021 £'000
Income statement – return after taxation		
Revenue return	(731)	(650)
Capital return	3,582	3,253
Total return after taxation for the year	2,851	2,603
Net assets	2,851	2,603

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 fixed rate, term loan expired during the year and was replaced by a three year term loan carrying a floating rate of interest, and which is therefore exposed to interest rate changes.

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:

	2022 £'000	2021 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	5,626	9,774
Creditors: amounts falling due after more than one year		
Term loan	(36,892)	-
Total exposure	(31,266)	9,774

The floating rate assets consist of cash deposits on call. Sterling cash deposits at call earn interest at floating rates based on Sterling Overnight Index Average ("SONIA") rates, (2021: LIBOR).

The bank loan is a yen 6.0 billion three-year term loan from SMBC Bank International plc (formerly Sumitomo Mitsui banking Corporation Europe Limited), expiring in January 2025 and carrying a floating interest rate, calculated at the daily Compounded Risk Free Rate, plus a 0.8% margin. The preceding yen 6.0 billion three-year term loan, which expired in January 2022, carried a fixed interest rate and therefore did not give rise to any interest rate risk.

During the year, the Company extended its 364 day credit facility arrangement with SMBC, to January 2023. Under the terms of the agreement, interest is payable at the "Compounded Reference Rate", being the aggregate of the Daily Non-Cumulative Compounded Risk Free Reference Rate plus the applicable Credit Adjustment Spread. The facility has not been utilised in the current or prior year.

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

	2022 £'000	2021 £'000
Maximum debit/minimum credit interest rate exposure during the year – net (debt)/cash	(32,845)	8,212
Minimum debit/maximum interest rate exposure during the year – net (debt)/cash	(29,697)	12,499

Notes to the Accounts for the year ended 31 July 2022

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1.0% (2021: 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.

	2022		2021	
	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	(54)	54	98	(98)
Capital return	(258)	258	-	-
Total return after taxation	(312)	312	98	(98)
Net assets	(312)	312	98	(98)

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:

	2022 £'000	2021 £'000
Investments held at fair value through profit or loss	313,454	313,907

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 11. 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% (2021: 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.

	2022		2021	
	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	(61)	61	(61)	61
Capital return	31,203	(31,203)	31,248	(31,248)
Total return after taxation and net assets	31,142	(31,142)	31,187	(31,187)
Percentage change in net asset value	11.1%	(11.1%)	11.0%	(11.0%)

Notes to the Accounts for the year ended 31 July 2022

(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	Two to three years £'000	Total £'000	Within one year £'000	Total £'000
Creditors: amounts falling due within one year					
Securities purchased awaiting settlement	1,177	-	1,177	859	859
Other creditors and accruals	682	-	682	634	634
Interest on term loan	-	-	-	129	129
Term loan	-	-	-	39,321	39,321
Creditors: amounts falling due after more than one year					
Interest on term loan	295	434	729	-	-
Term loan	-	36,892	36,892	-	-
	2,154	37,326	39,480	40,943	40,943

(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 operates 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 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.

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.

Notes to the Accounts for the year ended 31 July 2022

	2022		2021	
	Balance sheet £'000	Maximum exposure £'000	Balance sheet £'000	Maximum exposure £'000
Fixed assets				
Investments held at fair value through profit or loss	313,454	-	313,907	-
Current assets				
Debtors – securities sold awaiting settlement, dividends and interest receivable and other debtors	1,113	1,113	1,003	1,003
Cash at bank and in hand	5,626	5,626	9,774	9,774
	320,193	6,739	324,684	10,777

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:

	2022 £'000	2021 £'000
Debt		
Bank loan	36,892	39,321
Equity		
Called-up share capital	12,200	12,214
Reserves	269,229	271,645
	281,429	283,859
Total debt and equity	318,321	323,180

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.

	2022 £'000	2021 £'000
Borrowings used for investment purposes, less cash	31,266	29,547
Net assets	281,429	283,859
Gearing	11.1%	10.4%

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

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

Annual General Meeting – Recommendations

The Annual General Meeting (“AGM”) of the Company will be held on Monday, 5 December 2022 at 12.00 p.m. The formal Notice of Meeting is set out on page 59.

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 10 are all ordinary resolutions. Resolution 1 is a required resolution. Resolution 2 invites shareholders to approve the final dividend. Resolution 3 concerns the Remuneration Report set out on page 31. Resolutions 4 to 8 invite shareholders to elect and re-elect each of the Directors for another year, following the recommendations of the nomination committee, set out on pages 29 and 30 (their biographies are set out on pages 21 and 22). 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 26 and 27.

Special business

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

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

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £609,137 (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 £609,137 (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 2023 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 7 December 2021, the Company was granted authority to make market purchases of up to 18,299,127 ordinary shares of 10p each for cancellation. As at 7 October 2022 248,190 shares have been bought back under this authority granted on 7 December 2021 and the Company therefore has remaining authority to purchase up to 18,050,937 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 or held in treasury for potential reissue. If renewed, the authority to be given at the 2021 AGM will lapse at the conclusion of the AGM in 2023 unless renewed, varied or revoked earlier.

Recommendations

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Schroder Japan Growth Fund plc will be held on Monday, 5 December 2022 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 to 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 2022.
2. To approve a final dividend of 4.90p per share for the year ended 31 July 2022.
3. To approve the Directors' Remuneration Report for the year ended 31 July 2022.
4. To approve the re-election of Alan Gibbs as a Director of the Company.
5. To approve the re-election of Angus Macpherson as a Director of the Company.
6. To approve the re-election of Belinda Richards as a Director of the Company.
7. To approve the election of Helena Coles as a Director of the Company.
8. To approve the election of Philip Kay as a Director of the Company.
9. To re-appoint Deloitte LLP as auditors to the Company.
10. To authorise the Directors to determine the remuneration of Deloitte LLP as auditors to the Company.
11. To consider, and if thought fit, pass the following resolution as an ordinary resolution:
"THAT in substitution for all existing authorities the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £609,137 (being 5% of the issued ordinary share capital, excluding shares held in treasury, as at 7 October 2022) 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 12 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 £609,137 (representing 5% of the aggregate nominal amount of the share capital in issue as at 7 October 2022); 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 18,261,923, representing 14.99% of the Company's issued ordinary share capital as at 7 October 2022 (excluding treasury shares);
 - (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 2023 (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 or held in treasury."

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

13 October 2022

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 1 December 2022. 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 business at 6.30 p.m. on 1 December 2022, 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 1 December 2022 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 21 and 22 of the Company's annual report and accounts for the year ended 31 July 2022.
7. As at 7 October 2022, 121,827,372 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 7 October 2022 was 121,827,372.
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.
10. The Company's privacy policy is available on its webpages, www.schroders.co.uk/japangrowth. Shareholders can contact Equiniti for details of how Equiniti processes their personal information as part of the AGM.

Definitions of Terms and Performance Measures

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

Net asset value ("NAV") per share

The NAV per share of 230.68p (2021: 232.40p) represents the net assets attributable to equity shareholders of £281,429,000 (2021: £283,859,000) divided by the number of shares in issue of 122,000,562 (2021: 122,143,262).

The change in the NAV amounted to -0.7% (2021: +22.8%) over the year. However this performance measure excludes the positive impact of dividends paid out by the Company during the year. When these dividends are factored into the calculation, the resulting performance measure is termed the "total return". Total return calculations and definitions are given below.

Total return

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

The NAV total return for the year ended 31 July 2022 is calculated as follows:

Opening NAV at 31/7/21	232.40p		
Closing NAV at 31/7/22	230.68p		
Dividend received	XD date	NAV on XD date	Factor
4.3p	4/11/21	248.09p	1.0173
NAV total return, being the closing NAV, multiplied by the factor, expressed as a percentage increase in the opening NAV:			+1.0%

The NAV total return for the year ended 31 July 2021 is calculated as follows:

	189.24p		
Closing NAV at 31/7/21	232.40p		
Dividend received	NAV on XD date	XD date	Factor
4.9p	5/11/20	209.20p	1.0234
NAV total return, being the closing NAV, multiplied by the factor, expressed as a percentage increase in the opening NAV:			+25.7%

The share price total return for the year ended 31 July 2022 is calculated as follows:

Opening share price at 31/7/21	210.00p
Closing share price at 31/7/22	202.00p

Dividend received	XD date	Share price on XD date	Factor
4.3p	4/11/21	223.00p	1.0193

Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage increase in the opening share price: -2.0%

The share price total return for the year ended 31 July 2021 is calculated as follows:

Opening share price at 31/7/20	161.50p
Closing share price at 31/7/21	210.00p

Dividend received	XD date	Share price on XD date	Factor
4.9p	5/11/20	176.00p	1.0278

Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage increase in the opening share price: +33.7%

Benchmark

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

Discount/premium

The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. The discount or premium is expressed as a percentage of the NAV per share. The discount at the year end amounted to 12.4% (2021: 9.6%), as the closing share price at 202.00p (2021: 210.00p) was 12.4% (2021: 9.6%) lower than the closing NAV of 230.68p (2021: 232.40p).

Gearing

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

Definitions of Terms and Performance Measures

	2022 £'000	2021 £'000
Borrowings used for investment purposes, less cash	31,266	29,547
Net assets	281,429	283,859
Gearing	11.1%	10.4%

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 is calculated in accordance with the AIC's recommended methodology and represents the management fee and all other operating expenses excluding finance costs and transaction costs, amounting to £2,635,000 (2021: £2,450,000), expressed as a percentage of the average daily net asset values during the year of £285.8 million (2021: 276.3 million).

Shareholder Information

Webpages and share price information

The Company has dedicated webpages, which may be found at www.schroders.co.uk/japangrowth. The webpages have been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's ordinary share price and copies of annual reports and other documents published by the Company as well as information on the Directors, terms of reference of committees and other governance arrangements. In addition, the webpages contain links to announcements made by the Company to the market, Equiniti's shareview service and Schroders' website. There is also a section entitled "How to Invest".

The Company releases its NAV on both a cum and ex-income basis to the market on a daily basis.

Share price information may also be found in the Financial Times and on the Company's webpages.

Association of Investment Companies

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

Individual Saving Account ("ISA") status

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

Non-Mainstream Pooled Investments status

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

Financial calendar

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

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 2022 these were:

Leverage exposure	Maximum ratio	Actual ratio
Gross method	200.0%	126.1%
Commitment method	200.0%	124.6%

Illiquid assets

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

Remuneration disclosures

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

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

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

Directors

Anja Balfour (Chairman)
Alan Gibbs
Angus Macpherson
Belinda Richards
Helena Coles
Philip Kay

Advisers

Alternative Investment Fund Manager ("Manager")

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

Investment Manager and Company Secretary

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1 London Wall Place
London EC2Y 5AU
Telephone: 020 7658 3847

Registered Office

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London EC2Y 5AU

Depositary and Custodian

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8 Canada Square
London E14 5HQ

Lending Bank

Sumitomo Banking Corporation, London Branch
99 Queen Victoria Street
London EC4V 4EH

Corporate Broker

Winterflood Securities Limited
The Atrium Building
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25 Dowgate Hill
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Independent Auditor

Deloitte LLP
Union Plaza
1 Union Wynd
Aberdeen AB10 1SL

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.826

Legal Entity Identifier (LEI)

549300SSPK3AXNJOC673

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

