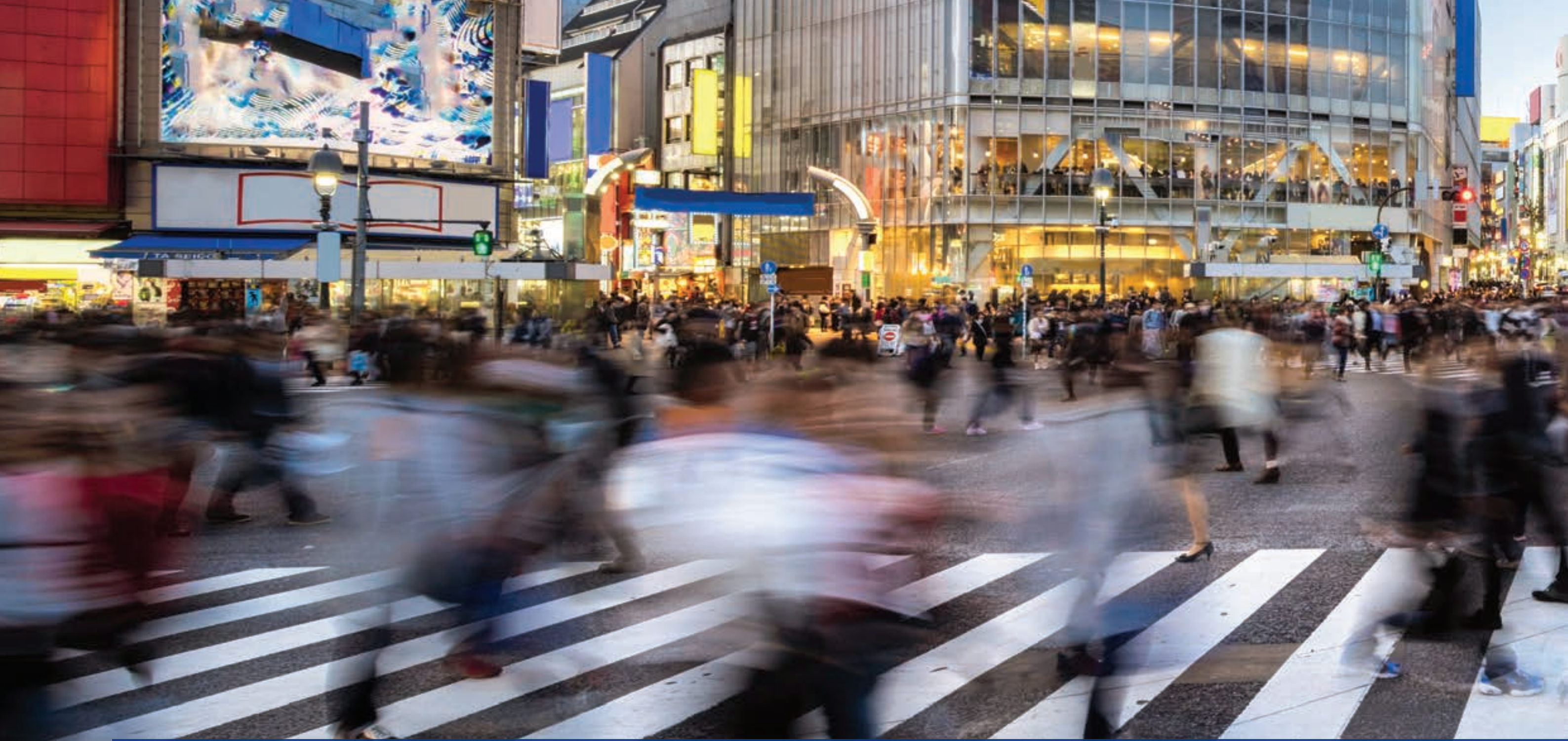
Schroder Japan Trust plc

Half Year Report and Accounts
For the six months ended 31 January 2024

Schroders



Performance Summary

NAV per share total return*
10.3%
year ended 31 July 2023: 11.7%

Share price total return*
5.8%
year ended 31 July 2023: 18.7%

Benchmark†
9.1%
year ended 31 July 2023: 4.8%

Some of the financial measures are classified as Alternative Performance Measures ("APMs"), 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 pages 20 and 21 together with supporting calculations where appropriate.

† Now named Tokyo Stock Price Index Total Return since April 4, 2022, previously known as TSE First Section Total Return Index (the "Benchmark").

Investment objective

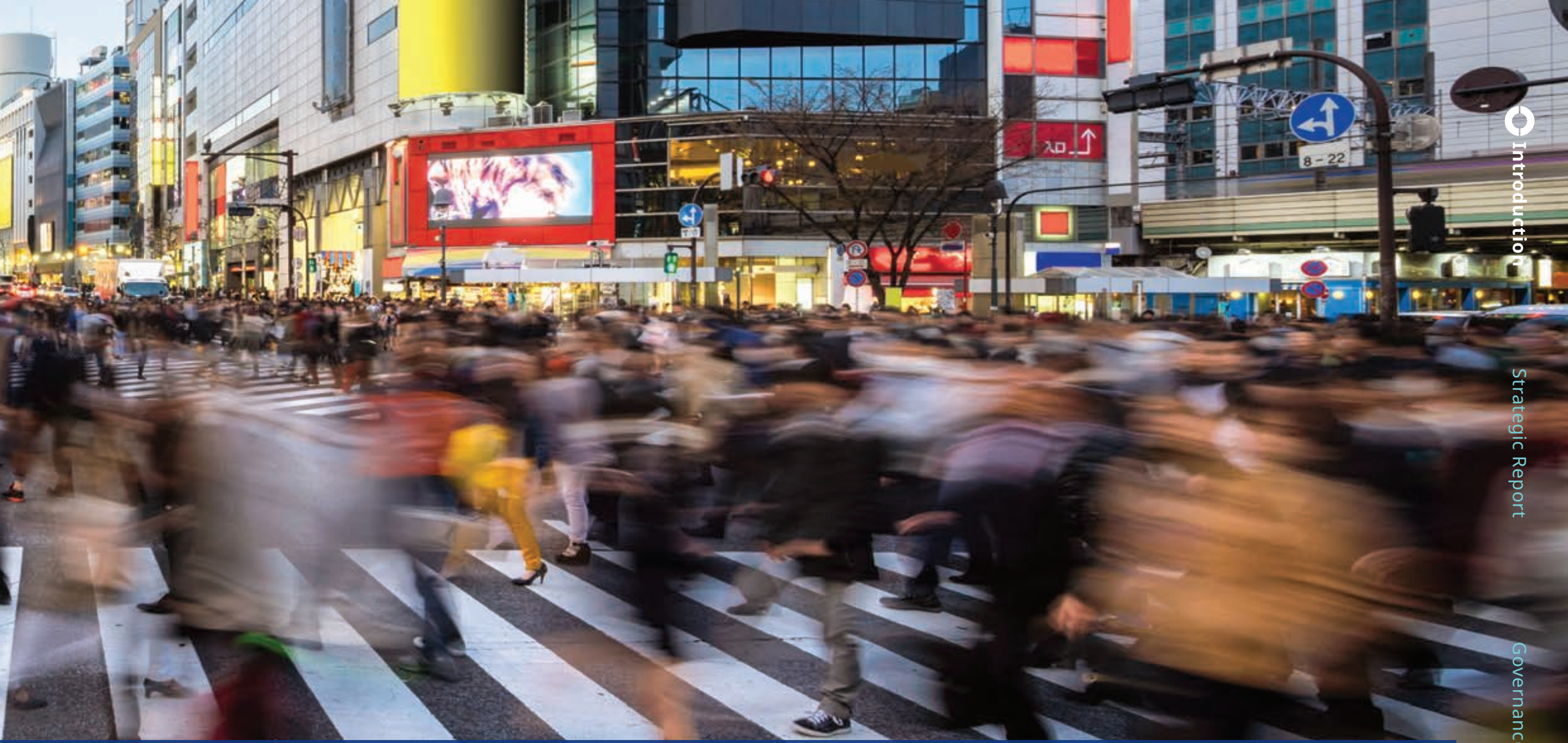
The Company's principal investment objective is to achieve capital growth from an actively managed portfolio principally comprising securities listed on the Japanese stock markets, with the aim of achieving growth in excess of the Benchmark in sterling over the longer term.

Why invest in the Company?

Schroder Japan Trust plc aims to achieve long-term capital growth by investing in a diversified portfolio of 60 to 70 of the best quality but undervalued companies in Japan.

An investment in the Company is an investment in:

- A fully unconstrained approach
- Company-specific drivers for future growth
- Keenly trained eyes on quality and valuation
- A highly experienced team with a wealth of resources both locally and globally



Ongoing charges ratio*
0.95%
31 July 2023: 0.94%

Share price discount to NAV per share*
11.1%
31 July 2023: 7.2%

Net revenue return after taxation
£3.10m
year ended 31 July 2023: £6.56m

Gearing*
13.0%
31 July 2023: 9.5%

Share price
242.00p
31 July 2023: 234.00p

Revenue return per share
2.60p
year ended 31 July 2023: 5.41p

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Interim Management Report

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There have been many false dawns when the performance of the Japanese equity market has failed to live up to investor expectations. But your Board believes that, this time, there are real positive structural shifts in motion

Performance

I am pleased to report that during the six-month period to 31 January 2024, the Company produced a NAV total return of 10.3%, outperforming the Benchmark total return of 9.1%. The share price also produced a positive total return of 5.8% during the period. Our Investment Manager, Masaki Taketsume, continues to manage a high conviction, balanced portfolio of large and smaller companies with a strong emphasis on valuation.

Performance over the period was helped by strong stock selection across machinery, glass and ceramics, and information and communication. From a style perspective, holdings of value stocks outperformed the growth portion of the portfolio. The use of financial leverage was also helpful to performance over the period.

Further comment on performance and the investment policy can be found in the Investment Manager's review.

Discount management

During the period under review, the Company's shares continued to trade at a discount to NAV, and the Board utilised its buy-back authority to purchase 1,381,226 shares for cancellation at an average discount of 10.3%. Although the discount widened during the reporting period from 7.2% to 11.1%, this was broadly in line with the move in the average discount for the AIC Japan Sector as a whole over the same timescale. The Board continues to monitor the Company's discount actively and to authorise the Company to purchase shares when appropriate. In addition, in February 2024, the Company appointed J.P. Morgan Securities plc (which conducts its UK investment banking business activities as "J.P. Morgan Cazenove") as the Company's sole corporate broker. J.P. Morgan Cazenove is actively working with the Board to consider discount mechanics and other strategic initiatives.

Gearing

The Investment Manager actively used gearing throughout the period. The Company's term loan remained fully utilised, and the revolving credit facility was drawn down. The average gearing during the six months to 31 January 2024 was 9.5% and, as at 15 April 2024, the gearing was 11.6%.

At the 2023 AGM, shareholders approved a change of the Company's investment policy to allow it to use contracts for difference to provide exposure to Japanese equities on a geared basis as an alternative to utilising bank borrowings. The onboarding process for the implementation of this facility is currently in progress.

The Company intends to continue to use leverage.

Conditional tender offer

As I stated in my last year-end Chairman's Statement, the Board continues to monitor the Company's performance against its tender performance target each year.

The Company has a target to deliver NAV 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 would be contingent on the next continuation vote of the Company at this year's AGM being successful.

The Investment Manager has continued to deliver strong outperformance during the fourth year of the performance target, delivering a NAV total return for the period from 1 August 2020 to 31 January 2024 of 4.4% above the Benchmark on an annualised basis. Over three and a half years, the Company has now returned 12.8% on an annualised basis, which compares favourably to the annualised 8.4% return from the Benchmark.

Outlook

The Japanese equity market has enjoyed a strong start to 2024 and, symbolically, the Nikkei 225 Index has recently exceeded its previous high achieved in 1989.

The Board remains very positive on the long-term equity market outlook because corporate Japan is in the middle of a major transformation which is already resulting in improved shareholder returns. This transformation has been a long time in the making: it is now ten years since the introduction of the Japanese government's Stewardship Code and nine years since the publication of its Corporate Governance Code, so it is not surprising that it has slipped under the radars of many international investors. But the speed of change is now accelerating. In January, the Tokyo Stock Exchange announced that half the companies listed on its Prime Market had developed plans (within a few months of being requested to do so) to boost their capital efficiency and improve returns on capital. Cross-shareholdings are being unwound. Dividend payouts and share buybacks are at record highs. More takeovers, management buyouts, and private equity deals are taking place. Greater capital efficiency and improvements in shareholder value will result. In addition, as detailed in the Investment Manager's Review, the recent launch of an enhanced Nippon Individual Savings Account or "NISA" (originally modelled on the UK's ISA) should encourage additional demand from domestic retail investors. At the macro level, deflation has finally given way to moderate inflation, making it easier for companies to raise prices, and early results of this year's "Shunto" (the annual wage negotiations between labour unions and employers) are suggesting a base pay rise of 3.7% – the highest since 1991. This combination of real wage improvement and subdued inflation should lead to increased demand from Japanese consumers. Finally, the recent end to the Bank of Japan's 8-year-long negative interest rate policy represents a watershed moment since the normalisation of Japan's monetary policy will, we believe, be a net positive for the Japanese equity market.

All these developments should result in improved shareholder returns and higher valuations and provide exciting opportunities for the high-conviction stock-picking strategy of the Schroder Japan Trust.

As I mentioned in my last Chairman's statement, there have been many false dawns when the performance of the Japanese equity market has failed to live up to investor expectations. But your Board believes that, this time, there are real positive structural shifts in motion. We remain very positive on the long-term outlook for the Japanese market and are firmly of the view that the Company is the best vehicle through which to capitalise on the opportunities presented by corporate change and an improving fundamental backdrop. The Company has delivered solid outperformance of its Benchmark over the three and a half years since its conditional tender offer was implemented and yet still trades at a discount to NAV, providing considerable upside.

Philip Kay
Chairman

16 April 2024

Masaki Taketsume

"We believe that the Japanese market can make good long-term progress from here, and is a particularly exciting environment for active, high conviction stock pickers like ourselves"

Over the first six months of the Company's financial year to 31 January 2024, the Company's NAV produced a total return of 10.3%, while its Benchmark produced a total return of 9.1%. Before we delve into the drivers of recent performance, we would like to explain the investment philosophy and approach that sits behind our decision-making. This should provide some important context to help you understand why the portfolio is positioned the way it is, and what you should expect in terms of future performance.

Our investment approach

We believe that the Japanese equity market ultimately acts efficiently in reflecting the intrinsic value of companies. However, in the short to medium-term considerable inefficiencies are frequently evident in individual stocks. These inefficiencies provide repeatable opportunities to identify and invest in undervalued stocks, with the aim of delivering a better return than the market as a whole on a rolling three-to-five year view.

Our investment resource is entirely devoted to this aim, focusing on individual company fundamentals to understand the true worth of a stock and investing in a portfolio of 60-70 of the highest conviction ideas. These then tend to be held for the long term, with value being realised as the market gradually reflects their true value more efficiently.

Portfolio holdings tend to fall into three categories of inefficiency:

1. **Market misperception** – companies with self-improving credentials, with management initiatives to sustainably enhance operational performance being under-appreciated by other investors.
2. **Market oversight** – undervalued companies, especially among small and mid-caps where research coverage is less widespread, with strong and defendable business franchises in niche product areas.
3. **Short-term overreaction** – ideas arising from abrupt but transitory events which push valuations of quality companies temporarily to unsustainably low levels.

Outside these three categories, the balance of the portfolio represents "best in class" stocks with reasonable valuations. The weighting given to each of these segments evolves over time, but a reasonable exposure to each category ensures a good level of diversification for the portfolio as a whole. Meanwhile, the approach tends to result in a bias towards value stocks[1] and smaller companies, as well as an overall focus on quality.

The portfolio tends to exhibit a high "active share", which means that its constituents deviate significantly from the Benchmark. Gearing (financial leverage) typically ranges between 10% and 17.5%, allowing shareholders to potentially benefit even more as the inefficiencies we have identified become more appropriately priced by the market.

Portfolio strategy

So, what does this mean for current portfolio strategy and positioning? Currently, the biggest category within the portfolio is **market misperception** which accounts for almost 40% of assets. This includes companies such as industrials conglomerate Hitachi and metals and mining business Nippon Steel. In both cases, we see management teams pursuing strategies that should deliver a transformative and sustainable improvement in returns, the effects of which are not yet reflected in valuations.

Almost 30% of the portfolio is in **market oversights**, such as industrial cooling business Fukushima Galilei and powder processing specialist Hosokawa Micron, where we find highly competitive smaller businesses trading at a significant discount to their large cap and global peers. Less than 10% of the portfolio is invested in **short-term overreactions**, including out-of-favour opportunities such as IT services business Nomura Research Institute and food packaging specialist FP Corporation. These businesses are beneficiaries of long-term structural tailwinds, but their shares have recently been sold down aggressively – in our view, too aggressively, hence the opportunity to add them to the portfolio.

The remaining 20% of the portfolio is invested in what we consider to be "best in class" operators, such as the financial services company Sumitomo Mitsui Financial and the insurance business Tokio Marine.

1 The term 'value stocks' refers to shares of a company that appears to trade at a lower price relative to its fundamentals, such as dividends, earnings, or sales, making it appealing to value investors.

From a sector perspective, this means a bias towards machinery, glass and ceramic products, and information and communication. As is typical, the portfolio is also leaning towards small and mid-sized businesses, where valuations look particularly attractive as the domestic Japanese economy continues to recover.

Sector positions – Top 10 and Bottom 10

Schroder Japan Trust plc

As at 31 January 2024

	Portfolio (%)	Benchmark[1] (%)	Underweight	Overweight
Machinery	11.0	5.4		5.6%
Glass & Ceramics Products	4.8	0.7		4.1%
Information & Communication	10.5	7.6		2.9%
Construction	4.7	2.1		2.6%
Insurance	4.9	2.4		2.5%
Other Financing Business	2.8	1.2		1.6%
Rubber Products	1.4	0.7		0.7%
Metal Products	1.2	0.5		0.7%
Iron & Steel	1.5	1.0		0.5%
Nonferrous Metals	1.2	0.7		0.5%
Marine Transportation	0.0	0.9	-0.9%	
Other Products	1.4	2.4	-1.0%	
Retail Trade	2.9	4.2	-1.3%	
Electric Power & Gas	0.0	1.4	-1.4%	
Land Transportation	1.2	2.7	-1.5%	
Wholesale Trade	5.3	7.3	-2.0%	
Pharmaceutical	2.6	4.6	-2.0%	
Precision Instruments	0.0	2.4	-2.4%	
Banks	4.4	7.1	-2.7%	
Electric Appliances	14.1	17.5	-3.4%	
[Cash]	0.4	0.0		0.4%
Total	**76.3**	**72.7**		

Source: Schroders, FactSet. [1]TOPIX.
The accounting data used by FactSet is un-audited, therefore any subsequent cleaning data will not be reflected in FactSet.
The sectors, securities, regions and countries shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Recent performance drivers

The Japanese stock market was strong throughout the period, buoyed by growing global interest in the structural changes that are occurring in Japan as a result of continuing corporate governance reforms. The recent return of inflation has also helped to improve sentiment towards Japanese equities, as has a period of robust earnings growth from Japanese companies.

Overall, the Company performed well over the six months to 31 January 2024, as reflected in the positive NAV return and the modest outperformance of the Benchmark. Value stocks continued to outperform growth stocks during the period, which was generally helpful to the portfolio's performance, as was the Company's gearing which helped to amplify returns. This was partly offset by the under-performance of smaller companies, which lagged in a rally that was driven mainly by large-cap stocks.

In terms of stock specifics, we saw positive corporate earnings developments at several individual companies. Niterra, a mid-cap automotive component manufacturer that specialises in spark plugs and other ceramic parts, was the largest individual contributor to performance. The business is enjoying very strong earnings growth, as the recovery in Japanese automotive production that we had anticipated continues to play out positively.

Hitachi, the large-cap industrials conglomerate, also provided a solid performance, supported by strong financial results and its continuing transformation. Management has shifted the company's focus towards digital solutions, IT services and sustainable energy, in an ongoing effort to sustainably improve shareholder returns. It is encouraging to see the stock market start to recognise the power of this transformation, but we believe there is significant further upside potential as the company's financial performance continues to improve and as the shares attain a more appropriate market rating.

By contrast, some of the portfolio's technology companies saw share price declines after strong performance in the previous period. In some cases, including electronic component makers Ibiden and Rohm, financial results also fell short of expectations, due to continued cyclical weakness in the semiconductor industry.

Top 10 contributors and detractors

Six months to 31 January 2024

Top 10 contributors	Portfolio weight	Benchmark[1] weight	Portfolio return	Benchmark[1] return	Total effect
Niterra Co., Ltd.	2.1	0.1	33.4	33.4	0.4
Hitachi, Ltd.	4.3	1.6	24.2	24.2	0.4
Disco Corporation	1.7	0.5	49.2	49.2	0.3
Hosokawa Micron Corporation	1.6	0.0	30.0	30.0	0.3
Daikin Industries, Ltd.	–	0.8	–	–17.9	0.3
Nidec Corporation	–	0.3	–	–35.3	0.3
NEC Networks & System Integration	1.6	0.0	26.7	26.7	0.2
SoftBank Group Corp.	–	0.9	–	–12.1	0.2
Tazmo Co., Ltd.	1.2	0.0	31.7	31.7	0.2
Panasonic Holdings Corporation	–	0.5	–	–20.7	0.2

Top 10 detractors	Portfolio weight	Benchmark[1] weight	Portfolio return	Benchmark[1] return	Total effect
Rohm Co., Ltd.	1.7	0.1	–23.2	–23.2	–0.6
Ibiden Co., Ltd.	1.8	0.1	–13.9	–13.9	–0.5
Kohoku Kogyo Co. Ltd.	0.9	–	–19.1	–	–0.3
Miura Co., Ltd.	0.7	0.0	–25.0	–25.0	–0.3
Ricoh Company, Ltd.	1.6	0.1	–8.2	–8.2	–0.3
Tokyo Electron Ltd.	–	1.6	–	29.6	–0.3
Asahi Group Holdings, Ltd.	2.6	0.3	–2.4	–2.4	–0.3
Mitsubishi UFJ Financial Group, Inc.	–	2.3	–	21.1	–0.3
Nintendo Co., Ltd.	–	1.5	–	27.9	–0.2
Lasertec Corp	–	0.5	–	82.2	–0.2

Source: FactSet, GBP, [1]TOPIX. Stocks mentioned are show for illustrative purposes only and should not be viewed as a recommendation to buy/sell.
Past performance is not a guide to future performance and may not be repeated. The value of investment can go down as well as up and is not guaranteed.
The return may increase or decrease as a result of currency fluctuations.

Portfolio activity

We initiated a position in a new **market misperception** idea: Nippon Steel, Japan's largest and the world's leading steel maker. The starting valuation looks highly attractive, and we foresee the potential for a much higher multiple in the future, supported by management efforts to improve the stability and growth profile of its earnings. The business has become increasingly focused on profitability through price discipline, and the strategy of expanding the business into new territories, such as India, holds significant future potential. Ultimately, the strategy being pursued by Nippon Steel's management team should allow the business to become much more resilient, even in the event of a cyclical downturn in its core markets. This development is under-appreciated by investors and comes at a time when the Asian steel market appears poised for a cyclical upswing. Hence, we view this as an opportune time to build an exposure, before improving fundamentals can be fully reflected in market prices.

We also initiated a position in food packaging manufacturer, FP Corporation, as a new **short-term overreaction** opportunity. The company saw increased operational volatility during the COVID years, but we have subsequently seen a stabilisation of growth rates, and the business has been steadily increasing its market share. We are also impressed by management's ability to control costs and raise prices in response to inflation, which should continue to support improvements in returns, margins, and growth. Nevertheless, the share price hit a six-year low in 2023, giving us the opportunity to build a position at a very attractive valuation. We see significant potential for a revaluation of the shares in 2024.

In terms of exits, we sold out of several positions including Yokowo, Astellas Pharma, Aeon Financial Services and Toho, mainly due to weaker-than-expected earnings progress. We used the proceeds to build positions in opportunities in which we have increasing confidence, such as those outlined above.

Outlook

The Japanese equity market has shown encouraging strength this year, with the Nikkei 225 Index finally exceeding the bubble-era high seen in December 1989. The conditions are now in place for a bold new era of prosperity for the Japanese stock market.

Importantly, the market's rise has been supported by strong and improving corporate fundamentals. Profits from Japanese companies are generally heading in the right direction, with the most recent quarterly earnings season seeing plenty of upwards revisions of profit estimates. The performance of domestically-oriented companies has been particularly impressive, with many companies demonstrating strong demand and displaying signs of regained pricing power. After years of entrenched deflation, the importance of this last point should not be underestimated.

Meanwhile, thanks to the ongoing efforts of the Tokyo Stock Exchange, corporate governance reforms have continued. After a long period of overseas apathy towards Japanese equities, these reforms are now resulting in growing interest from the global investment community. The unwinding of cross-shareholdings is progressing and there has been an increasing number of Japanese companies involved in corporate actions. According to the Nikkei newspaper, the number of take-over bids in Japan was 65 in 2023, up by 35% year on year and the highest figure since 2000. Notably, share buy-backs have continued to increase, and by the end of February 2024, the share buy-back plans announced by Japanese companies for the fiscal year to March 2024 had already exceeded the level of the full preceding fiscal year to March 2023. We would expect these trends in corporate activity to continue as more and more companies are compelled to take steps to improve their returns and address persistent under-valuations.

There has also been an increase in the level of Japanese retail participation in the equity market as a result of the revised tax-exempt scheme for individual investors, known as NISA. The revised NISA scheme now allows individual investors to invest more assets with tax exemptions for an unlimited period of time. The changes in the NISA scheme came at an ideal time, just as retail investors started to recognise a shift towards a more inflationary environment in Japan and thus the need for the retail investor to move money out of their bank deposits and to rotate it towards investment in the equity market.

To conclude, there are many reasons to believe that we are in a period of sustained outperformance from the Japanese stock market. The overall valuation of the market looks reasonable, but this masks a considerable divergence between larger companies that have become relatively fully-priced, and smaller companies to which the Company is currently biased, where valuations are, in general, much more appealing. We believe that the Japanese market as a whole can make good long-term progress from here, but this represents a particularly exciting environment for active, high conviction stock pickers. By focusing the portfolio towards undervalued businesses with strong growth prospects and the potential to improve returns, we are confident in the opportunity that lies ahead for investors in the Company.

Masaki Taketsume
Portfolio Manager

16 April 2024

> *"We are in a period of sustained outperformance from the Japanese stock market .... given our focus towards businesses with strong growth prospects and the potential to improve returns ... we are confident in the opportunity that lies ahead for investors in the Company"*

Investment Portfolio
as at 31 January 2024

Stocks in bold are the 20 largest investments, which by value account for 52.1% (31 July 2023: 52.6% and 31 January 2023: 48.7%) of total investments.

	£'000	%
Electrical Appliances		
Hitachi	**15,861**	**4.3**
Ibiden	**6,285**	**1.7**
Nihon Kohden	**6,207**	**1.7**
Ricoh	5,872	1.6
Fujikura	4,274	1.2
TDK	3,717	1.0
Total Electrical Appliances	**42,216**	**11.5**
Machinery		
Niterra	**7,662**	**2.1**
Disco	**6,326**	**1.7**
Amada	6,007	1.6
Tazmo	4,351	1.2
Nichias	3,874	1.1
Rheon	3,756	1.0
Kohoku Kogyo	3,367	0.9
Teikoku Piston Rings	2,965	0.8
Total Machinery	**38,308**	**10.4**
Transportation Equipment		
Toyota Motor	**18,912**	**5.2**
Toyota Industries	5,501	1.5
Suzuki Motor	3,201	0.9
Isuzu Motors	2,276	0.6
Total Transportation Equipment	**29,890**	**8.2**
Chemicals		
Mitsui	**6,210**	**1.7**
Nippon Soda	**6,118**	**1.7**
Hosokawa Micron	5,775	1.6
Aica Kogyo	4,624	1.3
NOF	2,295	0.6
Total Chemicals	**25,022**	**6.9**
Wholesale trade		
Mitsui & Co.	**8,853**	**2.4**
Trusco Nakayama	4,514	1.2
Fukushima Galilei	4,183	1.1
Doshisha	3,596	1.0
FP	1,831	0.5
Total Wholesale Trade	**22,977**	**6.2**
Information and Communication		
Nippon Telegraph and Telephone	**15,645**	**4.3**
Otsuka	4,022	1.1
Total Information and Communication	**19,667**	**5.4**

	£'000	%
Insurance		
Tokio Marine	**10,055**	**2.8**
T&D Holdings	**7,880**	**2.2**
Total Insurance	**17,935**	**5.0**
Precision Instruments		
Rohm	**6,636**	**1.8**
Mimasu Semiconductors	4,344	1.2
SMC	4,319	1.2
Kokusai Electric	1,835	0.5
Total Precision Instruments	**17,134**	**4.7**
Construction		
Infroneer	**7,729**	**2.1**
Sanki Engineering	4,892	1.4
Nippon Densetsu Kogyo	4,493	1.2
Total Construction	**17,114**	**4.7**
Securities and Commodity		
Orix	**10,443**	**2.9**
Nomura Research Institute	5,117	1.4
Integral	1,248	0.3
Total Securities and Commodity	**16,808**	**4.6**
Banks		
Sumitomo Mitsui Financial	**16,014**	**4.4**
Total Banks	**16,014**	**4.4**
Technology		
NEC Systems	5,888	1.6
LY	4,545	1.2
WingArc1st	3,507	1.0
Megachips	2,056	0.6
Total Technology	**15,996**	**4.4**
Services		
Recruit Holdings	**7,136**	**2.0**
Daiei Kankyo	3,757	1.0
Total Services	**10,893**	**3.0**
Real Estate		
Mitsui Fudosan	5,922	1.6
Kyoritsu Maintenance	3,886	1.1
Park24	2,577	0.7
Total Real Estate	**12,385**	**3.4**
Foods		
Asahi Breweries	**9,589**	**2.6**
Nichirei	1,856	0.5
Total Foods	**11,445**	**3.1**

	£'000	%
Retail Trade		
Seven & i Holdings	**7,009**	**1.9**
Paltac	2,469	0.7
Total Retail Trade	**9,478**	**2.6**
Pharmaceutical		
Takeda Pharmaceutical	**9,426**	**2.6**
Total Pharmaceutical	**9,426**	**2.6**
Other Products		
Roland	3,035	0.8
Miura	2,649	0.7
Bandai Namco	2,036	0.6
Total Other Products	**7,720**	**2.1**
Glass and Ceramics		
Asahi Glass	6,162	1.6
Total Glass and Ceramics	**6,162**	**1.6**
Ferrous Metals		
Nippon Steel	5,689	1.6
Total Ferrous Metals	**5,689**	**1.6**
Rubber Products		
Bridgestone	5,268	1.4
Total Rubber Products	**5,268**	**1.4**
Land Transportation		
Sankyu	4,276	1.2
Total Land Transportation	**4,276**	**1.2**
Electric Power and Gas		
Nippon Gas	3,806	1.0
Total Electric Power and Gas	**3,806**	**1.0**
Total investments	**365,629**	**100.0**

Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following risk categories: strategic; investment management; financial and currency; custody; gearing and leverage; accounting, legal and regulatory; service provider; and cyber. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 23 and 24 of the Company's published annual report and accounts for the year ended 31 July 2023.

These risks and uncertainties have not materially changed during the six months ended 31 January 2024. However, the Board undertook a review of principal and emerging risks for the Company while reviewing these accounts. The Directors noted that geopolitical risk and climate change risk in particular continue to develop and will be reported on in the next annual report as appropriate.

Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 25 of the published annual report and accounts for the year ended 31 July 2023, the Directors consider it appropriate to adopt the going concern basis in preparing the accounts.

Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 31 January 2024.

Directors' responsibility statement

In respect of the half year report for the six months ended 31 January 2024, we confirm that, to the best of our knowledge:

– the condensed set of Financial Statements contained within have been prepared in accordance with IAS 34 Interim Financial Reporting and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company as at 31 January 2024, as required by the Disclosure Guidance and Transparency Rule 4.2.4R;

– the half year report includes a fair review as required by the Disclosure Guidance and Transparency Rule 4.2.7R, of important events that have occurred during the six months to 31 January 2024, and their impact on the condensed set of Financial Statements, and a description of the principal and emerging risks for the remaining six months of the financial year; and

– the half year report includes a fair review of the information concerning related party transactions as required by the Disclosure Guidance and Transparency Rule 4.2.8R.

The half year report has not been reviewed or audited by the Company's auditors.

The half year report for the six months ended 31 January 2024 was approved by the Board and the above Responsibilities Statement has been signed on its behalf.

Financial

Financial

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Statement of Comprehensive Income

for the six months ended 31 January 2024 (unaudited)

		(Unaudited) For the six months ended 31 January 2024			(Unaudited) For the six months ended 31 January 2023			(Audited) For the year ended 31 July 2023		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss		–	27,118	27,118	–	12,757	12,757	–	22,484	22,484
Net foreign currency gains/(losses)		–	684	684	–	(610)	(610)	–	3,920	3,920
Income from investments		4,209	–	4,209	4,198	–	4,198	8,766	–	8,766
Other interest receivable and similar income		39	–	39	5	–	5	20	–	20
Gross return		**4,248**	**27,802**	**32,050**	**4,203**	**12,147**	**16,350**	**8,786**	**26,404**	**35,190**
Management fee		(329)	(768)	(1,097)	(300)	(700)	(1,000)	(607)	(1,416)	(2,023)
Administrative expenses		(354)	–	(354)	(314)	–	(314)	(653)	–	(653)
Net return before finance costs and taxation		**3,565**	**27,034**	**30,599**	**3,589**	**11,447**	**15,036**	**7,526**	**24,988**	**32,514**
Finance costs		(41)	(96)	(137)	(45)	(106)	(151)	(86)	(200)	(286)
Net return before taxation		**3,524**	**26,938**	**30,462**	**3,544**	**11,341**	**14,885**	**7,440**	**24,788**	**32,228**
Taxation	3	(421)	–	(421)	(420)	–	(420)	(877)	–	(877)
Net return after taxation		**3,103**	**26,938**	**30,041**	**3,124**	**11,341**	**14,465**	**6,563**	**24,788**	**31,351**
Return per share (pence)	4	**2.60**	**22.56**	**25.16**	**2.57**	**9.31**	**11.88**	**5.41**	**20.45**	**25.86**

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/(loss) after taxation is also the total comprehensive income/(loss) for the period.

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

Statement of Changes in Equity

for the six months ended 31 January 2024 (unaudited)

	Notes	Called-up share capital £'000	Share 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 2023		11,990	7	511	3	86,878	195,135	7,936	302,460
Repurchase of the Company's own shares for cancellation		(138)	–	138	–	(3,250)	–	–	(3,250)
Net return after taxation		–	–	–	–	–	26,938	3,103	30,041
Dividend paid in the period	5	–	–	–	–	–	–	(6,439)	(6,439)
At 31 January 2024		**11,852**	**7**	**649**	**3**	**83,628**	**222,073**	**4,600**	**322,812**

for the six months ended 31 January 2023 (unaudited)

	Notes	Called-up share capital £'000	Share 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 2022		12,200	7	301	3	91,237	170,347	7,334	281,429
Repurchase of the Company's own shares for cancellation		(38)	–	38	–	(750)	–	–	(750)
Net return after taxation		–	–	–	–	–	11,341	3,124	14,465
Dividend paid in the period	5	–	–	–	–	–	–	(5,961)	(5,961)
At 31 January 2023		**12,162**	**7**	**339**	**3**	**90,487**	**181,688**	**4,497**	**289,183**

for the year ended 31 July 2023 (audited)

	Notes	Called-up share capital £'000	Share 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 2022		12,200	7	301	3	91,237	170,347	7,334	281,429
Repurchase of the Company's own shares for cancellation		(210)	–	210	–	(4,359)	–	–	(4,359)
Net return after taxation		–	–	–	–	–	24,788	6,563	31,351
Dividend paid in the year	5	–	–	–	–	–	–	(5,961)	(5,961)
At 31 July 2023		**11,990**	**7**	**511**	**3**	**86,878**	**195,135**	**7,936**	**302,460**

Statement of Financial Position

as at 31 January 2024 (unaudited)

	Notes	(Unaudited) At 31 January 2024 £'000	(Unaudited) At 31 January 2023 £'000	(Audited) At 31 July 2023 £'000
Fixed assets				
Investments held at fair value through profit or loss		365,629	324,533	331,756
Current assets				
Debtors		1,968	471	1,113
Cash and cash equivalents		1,037	2,718	4,081
		3,005	**3,189**	**5,194**
Current liabilities				
Creditors: amounts falling due within one year	6	(45,822)	(1,062)	(1,669)
Net current assets		**(42,817)**	**2,127**	**3,525**
Total assets less current liabilities		**322,812**	**326,660**	**335,281**
Creditors: amounts falling due after more than one year	7	–	(37,477)	(32,821)
Net assets		**322,812**	**289,183**	**302,460**
Capital and reserves				
Called-up share capital	8	11,852	12,162	11,990
Share premium		7	7	7
Capital redemption reserve		649	339	511
Warrant exercise reserve		3	3	3
Share purchase reserve		83,628	90,487	86,878
Capital reserves		222,073	181,688	195,135
Revenue reserve		4,600	4,497	7,936
Total equity shareholders' funds		**322,812**	**289,183**	**302,460**
Net asset value per share (pence)	9	**272.36**	**237.77**	**252.25**

Schroder Japan Trust plc
Registered in England and Wales as a public company limited by shares
Company Registration Number: 02930057

1. Financial Statements

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

The figures and financial information for the year ended 31 July 2023 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

Basis of accounting

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, in particular with Financial Reporting Standard 104 "Interim Financial Reporting" and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies in July 2022.

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

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 July 2023.

3. Taxation on ordinary activities

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

4. Return/(loss) per share

	(Unaudited) For the six months ended 31 January 2024 £'000	(Unaudited) For the six months ended 31 January 2023 £'000	(Audited) Year ended 31 July 2023 £'000
Revenue return	3,103	3,124	6,563
Capital return	26,938	11,341	24,788
Total return	**30,041**	**14,465**	**31,351**
Weighted average number of shares in issue during the period	119,383,962	121,782,314	121,214,425
Revenue return per share (pence)	2.60	2.57	5.41
Capital return per share (pence)	22.56	9.31	20.45
Total return per share (pence)	**25.16**	**11.88**	**25.86**

5. Dividends paid

	(Unaudited) Six months ended 31 January 2024 £'000	(Unaudited) Six months ended 31 January 2023 £'000	(Audited) Year ended 31 July 2023 £'000
2023 final dividend paid of 5.4p (2022: 4.9p)	6,439	5,961	5,961

No interim dividend has been declared in respect of the six months ended 31 January 2024 (2023: nil).

6. Creditors: amounts falling due within one year

	(Unaudited) 31 January 2024 £'000	(Unaudited) 31 January 2023 £'000	(Audited) 31 July 2023 £'000
Securities purchased awaiting settlement	1,486	422	951
Other creditors and accruals	1,359	640	718
Bank loan	42,977	–	–
	45,822	**1,062**	**1,669**

The bank loan is a yen 6.0 billion three-year term loan from SMBC Bank International plc, expiring on 17 January 2025 and carrying a floating interest rate, calculated at the daily Compounded Risk Free Rate, plus a margin. The bank loan also includes a yen 2.0 billion credit facility with SMBC Bank International plc, repayment date in 10 May 2024 (2023: undrawn).

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

	(Unaudited) 31 January 2024 £'000	(Unaudited) 31 January 2023 £'000	(Audited) 31 July 2023 £'000
Bank loan	–	37,477	32,821

8. Called-up share capital

	(Unaudited) For the six months ended 31 January 2024 £'000	(Unaudited) For the six months ended 31 January 2023 £'000	(Audited) Year ended 31 July 2023 £'000
Opening balance of ordinary shares of 10p each	11,990	12,200	12,200
Repurchase and cancellation of shares	(138)	(38)	(210)
Closing balance of ordinary shares of 10p each	**11,852**	**12,162**	**11,990**

Changes in the number of shares in issue during the period were as follows:

	(Unaudited) Six months ended 31 January 2024 £'000	(Unaudited) Six months ended 31 January 2023 £'000	(Audited) Year ended 31 July 2023 £'000
Ordinary shares of 10p each, allotted, called-up and fully paid			
Opening balance of shares in issue	119,903,965	122,000,562	122,000,562
Repurchase and cancellation of shares	(1,381,226)	(375,690)	(2,096,597)
Closing balance of shares in issue	**118,522,739**	**121,624,872**	**119,903,965**

9. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue of 118,522,739 (31 January 2023: 121,624,872 and 31 July 2023: 119,903,965).

10. Financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio. At 31 January 2024, all investments in the Company's portfolio were categorised as Level 1 in accordance with the criteria set out in paragraph 34.22 (amended) of FRS 102. That is, they are all valued using unadjusted quoted prices in active markets for identical assets (31 January 2023 and 31 July 2023: all valued using unadjusted quoted prices in active markets for identical assets).

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

The Directors have evaluated the period since the interim date and have not noted any significant events which have not been reflected in the financial statements.

Other Information

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Alternative Performance Measures ("APMs") and definitions of financial terms

The terms and performance measures below are those commonly used by investment companies to assess values, investment performance and operating costs. Numerical calculations are given where relevant. Some of the financial measures below are classified APMs as defined by the European Securities and Markets Authority. Under this definition, APMs include a financial measure of historical financial performance or financial position, other than a financial measure defined or specified in the applicable financial reporting framework. APMs have been marked with an asterisk.

Net asset value ("NAV") per share

The NAV per share of 272.36p (31 July 2023: 252.25p) represents the net assets attributable to equity shareholders of £322,812,000 (31 July 2023: £302,460,000) divided by the number of shares in issue of 118,522,739 (31 July 2023: 119,903,965).

The change in the NAV amounted to +8.0% (year ended 31 July 2023: 9.4%) over the period. However this performance measure excludes the positive impact of dividends paid out by the Company during the period. 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 period ended 31 January 2024 is calculated as follows:

Opening NAV at 31/7/23	252.25p
Closing NAV at 31/1/24	272.36p

Dividend received	XD date	NAV on XD date	Factor
5.4p	2/11/23	250.95p	1.0215
NAV total return, being the closing NAV, multiplied by the factor, expressed as a percentage increase in the opening NAV:			+10.3%

The NAV total return for the year ended 31 July 2023 is calculated as follows:

Opening NAV at 31/7/22	230.68p
Closing NAV at 31/7/23	252.25p

Dividend received	XD date	NAV on XD date	Factor
4.9p	3/11/22	228.35p	1.0214
NAV total return, being the closing NAV, multiplied by the factor, expressed as a percentage increase in the opening NAV:			+11.7%

The share price total return for the period ended 31 January 2024 is calculated as follows:

Opening share price at 31/7/23	234.00p
Closing share price at 31/1/24	242.00p

Dividend received	XD date	Share price on XD date	Factor
5.4p	2/11/23	230.00p	1.0235
Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage increase in the opening share price:			+5.8%

The share price total return for the year ended 31 July 2023 is calculated as follows:

Opening share price at 31/7/22	202.00p
Closing share price at 31/7/23	234.00p

Dividend received	XD date	Share price on XD date	Factor
4.9p	3/11/22	200.5p	1.0244
Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage increase in the opening share price:			+18.7%

Benchmark

The measure against which the Company compares its performance. The Benchmark is now named Tokyo Stock Price Index Total Return since April 4, 2022, previously known as TSE First Section Total Return Index.

Discount/premium*

The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. If shares are trading at a discount, investors would be paying less than the value attributable to the shares by reference to the underlying assets. A premium or discount is generally the consequence of supply and demand for the shares on the stock market The discount or premium is expressed as a percentage of the NAV per share. The discount at the period end amounted to 11.1% (31 July 2023: 7.2%), as the closing share price at 242.00p (31 July 2023: 234.00p) was 11.1% (31 July 2023: 7.2%) lower than the closing NAV of 272.36p (31 July 2023: 252.25p).

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. Gearing is define as: borrowings used for investment purposes, less cash, expressed as a percentage of net assets. The gearing figure at the relevant period/year end is calculated as follows:

	31 January 2024 £'000	31 July 2023 £'000
Borrowings used for investment purposes, less cash	41,940	28,740
Net assets	322,812	302,460
Gearing	13.0%	9.5%

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 £2,898,000 (31 July 2023: £2,676,000), expressed as a percentage of the average daily net asset values during the period of £306.0 million (31 July 2023: £286.2 million).

Warning to shareholders

Companies are aware that their shareholders have received unsolicited telephone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares or investments.

These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive.

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FCA before getting involved by visiting https://register.fca.org.uk/s/
- Report the matter to the FCA by calling 0800 111 6768 or visiting https://www.fca.org.uk/consumers/report-scam
- Do not deal with any firm that you are unsure about

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme.

The FCA provides a list of unauthorised firms of which it is aware, which can be accessed at https://www.fca.org.uk/consumers/unauthorised-firmsindividuals#list.

More detailed information on this or similar activity can be found on the FCA website at https://www.fca.org.uk/consumers/protectyourself-scams.

Dividends

Paying dividends into a bank or building society account helps reduce the risk of fraud and will provide you with quicker access to your funds than payment by cheque.

Applications for an electronic mandate can be made by contacting the Registrar, Equiniti.

This is the most secure and efficient method of payment and ensures that you receive any dividends promptly.

If you do not have a UK bank or building society account, please contact Equiniti for details of their overseas payment service.

Further information can be found at www.shareview.co.uk, including how to register with Shareview Portfolio and manage your shareholding online.

Information about the Company

www.schroders.com/japantrust

Directors

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

Registered Office

1 London Wall Place
London EC2Y 5AU
Tel: +44 (0) 20 7658 6000

Advisers and service providers

Alternative Investment Fund Manager (the "Manager")

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

Investment Manager and Company Secretary

Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU
Email: amcompanysecretary@schroders.com

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lending bank

SMBC Bank International plc
99 Queen Victoria Street
London EC4V 4EH

Corporate broker

J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Independent auditor

Deloitte LLP
2 New Street Square
London EC4A 3BZ

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder helpline: 0121-415-0207
Website: www.shareview.co.uk

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.

Other information

Shareholder enquiries

General enquiries about the Company should be addressed to the Company Secretary at the Company's registered office.

Company number

02930057

Dealing codes

ISIN Number: GB0008022849
SEDOL Number: 0802284
Ticker: SJG

Global Intermediary Identification Number (GIIN)

7T0909.99999.SL.826

Legal Entity Identifier (LEI)

549300SSPK3AXNJOC673

Privacy notice

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

Schroder Investment Management Limited
1 London Wall Place, London EC2Y 5AU, United Kingdom
T +44 (0) 20 7658 6000

schroders.com
@schroders