Schroders

Schroder Japan Growth Fund plc

Annual Report and Accounts

For the year ended
31 July 2017

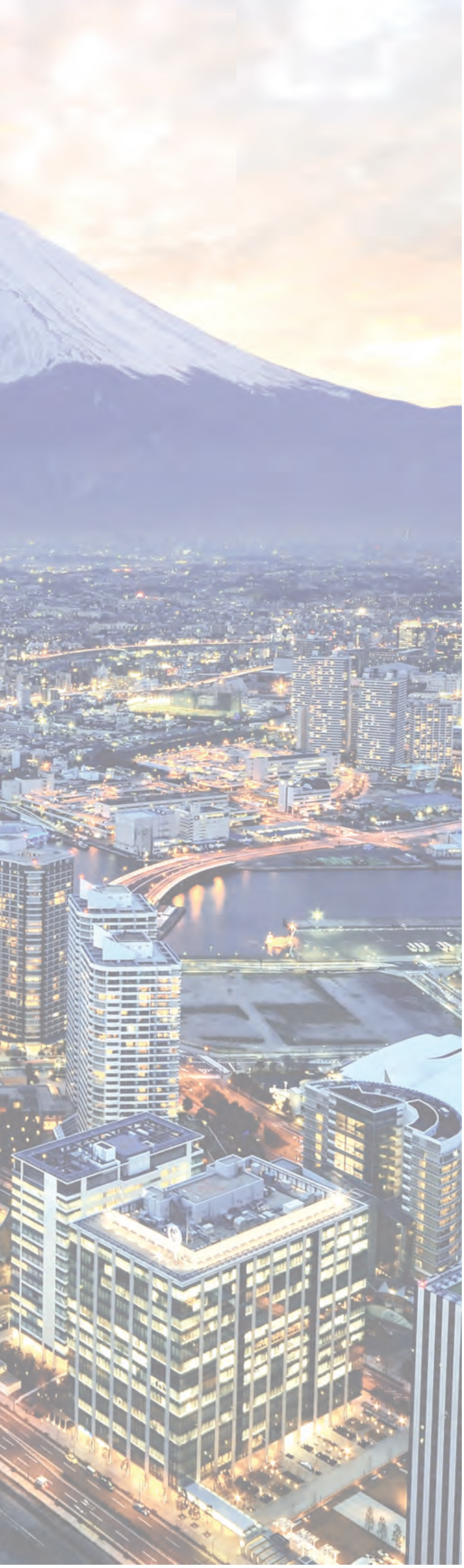
Investment objective

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.

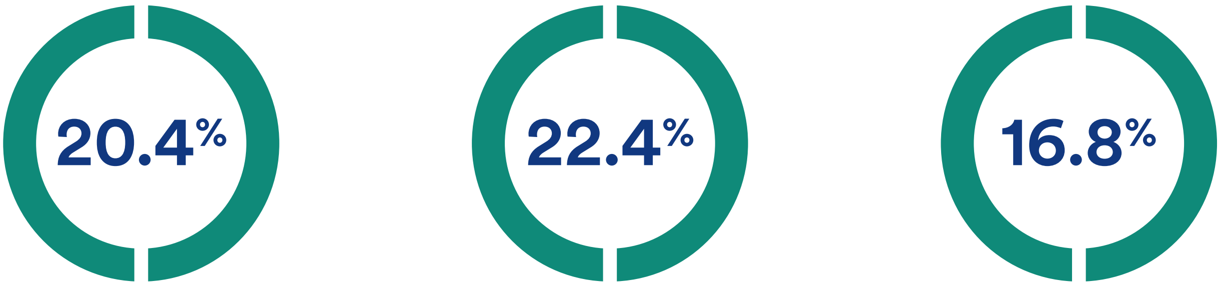
The portfolio is mainly invested in equities but may also be invested in warrants, convertibles and other derivative instruments where appropriate. The Company may invest up to 5% of its assets in securities which are not listed on any stock exchange, but would not normally make such investment except where the Manager expects that the securities will shortly become listed on a Japanese stock market.



Contents

Financial Highlights

Total returns[1] for the year ended 31 July 2017



NAV[2] | Share price[2] | Benchmark[3]

[1]Total returns assume that any dividends paid out during the year were reinvested.

[2]Source: Morningstar.

[3]Source: Thomson Reuters. The benchmark is the TSE First Section Total Return Index in sterling terms.

Other financial information

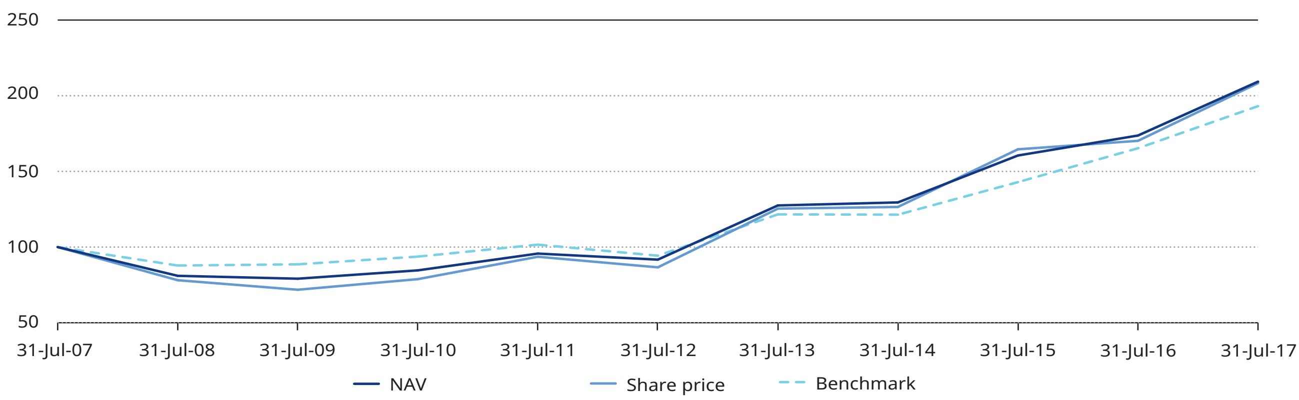
	31 July 2017	31 July 2016	% Change
Shareholders' funds (£'000)	269,304	226,688	+18.8
NAV per share (pence)	215.43	181.34	+18.8
Share price (pence)	195.00	162.00	+20.4
Share price discount to NAV per share (%)	9.5	10.7	
Gearing (%)[1]	11.2	12.1	

	Year ended 31 July 2017	Year ended 31 July 2016	% Change
Net revenue attributable to shareholders (£'000)	4,522	3,898	+16.0
Revenue return per share (pence)	3.62	3.12	+16.0
Dividend per share (pence)	3.50	2.80	+25.0
Ongoing Charges (%)[2]	1.00	1.11	

[1]Borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

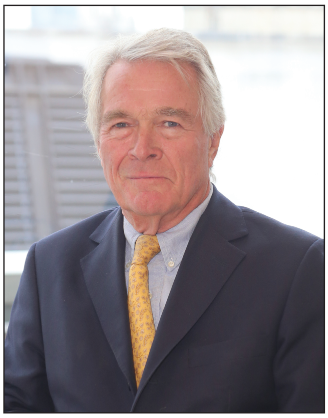
[2]Ongoing Charges represents the management fee and all other operating expenses excluding finance costs and transaction costs, expressed as a percentage of the average daily net asset values during the year.

10 year NAV, share price and benchmark total returns to 31 July 2017



Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 July 2007.

Chairman's Statement



The year to 31 July 2017 has been an excellent one for shareholders, with the Company's net asset value ("NAV") and share price reaching the highest levels in the Company's history. The Company's NAV outperformed the TSE First Section Total Return Index, producing a total return of 20.4%, compared with 16.8% produced by the Index. This performance was largely due to a buoyant local market (which rose 25.1% in local currency terms, albeit partially offset by the weak yen which affected sterling returns) and outperformance of the market by our Manager. The share price also performed strongly, producing a total return of 22.4% over the period, as the discount narrowed from 10.7% to 9.5%.

Further comment on performance and investment policy may be found in the Manager's Review.

Revenue and dividend

I am pleased to report that revenue return per share has continued to grow, increasing by 16.0% to 3.62p. Taking this into consideration, the Directors have declared a final dividend for the year ended 31 July 2017 of 3.50p per share, representing an increase of 25.0% over the final dividend paid in respect of 2016. This dividend will be paid on 6 November 2017 to shareholders on the Register on 13 October 2017, subject to approval by shareholders at the Annual General Meeting on 2 November 2017.

Gearing

The Company has in place a yen 6 billion three year term loan (expiring in January 2019) and also has access to a revolving credit facility of yen 1 billion, the latter of which was extended during the year for a further 12 months. The gearing level decreased slightly, beginning and ending the year at 12.1% and 11.2% respectively. The Company's gearing continues to operate within pre-agreed limits so that it does not represent more than 25% of shareholders' funds.

Purchase of shares for cancellation

The Directors did not use the authority given to them to purchase shares for cancellation during the financial year ended 31 July 2017, as the discount narrowed and the shares traded within a relatively small band. Nevertheless, as the ability to buy back shares is one of a number of tools that may be used to enhance shareholder value and to reduce the discount volatility, the Board will be seeking to renew the share buy back authority granted at the Company's Annual General Meeting in November 2016 to purchase up to 14.99% of the Company's issued share capital for cancellation.

Board refreshment

The Board continues to consider the balance of its skills, experience and diversity and, in accordance with its refreshment and succession plans, has commenced a search for a new Director. An external search agency has been engaged to assist in this process, and it is anticipated that a new Director appointment will be made in the new year. It is intended that one of the longer-serving Directors will retire during 2018.

Outlook

As mentioned above, the Company's share price set a new all-time high this year, while the NAV's outperformance of the benchmark adds to the longer term record. I am also pleased to see the continuing rise in the Company's revenue. This is not a priority for us in itself, but it is an indicator of the improved financial strength of the companies in the portfolio. The Company's revenue per share has more than trebled in the last five years. While exaggerated by sterling's weakness and the Manager concentrating the portfolio in companies capable of improving their profitability and dividends, it emphasises that parts of Japan really have improved. The much-discussed changes to the economy from 'Abenomics' are still a work in progress, but at least shareholders can see higher dividends.

As the Manager's Review mentions, Japan has now had six consecutive quarters of positive GDP growth, for the first time in more than 12 years. Economic growth is rarely enough to create stronger markets, and we rely on our Manager to find the companies that will turn this more stable domestic position into new highs for the Company's shares.

Annual General Meeting

The Annual General Meeting will be held at 2.30 p.m. on Thursday, 2 November 2017, and I hope as many of you as possible will be able to come along to participate. The meeting, as in previous years, will include a presentation by the portfolio manager on prospects for the Japanese market and the Company's investment strategy.

Jonathan Taylor
Chairman

5 October 2017

Manager's Review

Market background

The Company's NAV total return for the year of 20.4% outperformed the benchmark total return of 16.8%.

The start of the Company's year coincided with the low point for the stock market, which was still in the process of absorbing the implications of the Brexit vote and the knock-on effect which that vote had imparted to the yen. The pattern of the year was, therefore, the opposite of the previous year with strong market returns, partly offset by moderate weakness in the yen relative to sterling. The bulk of the action in terms of market strength and yen weakness occurred during the first half of the year. The ostensible triggers were macro and geopolitical in nature, namely a Bank of Japan policy change in September and the US Presidential election result, to which the stock market's initial response was positive. At the same time company profitability hit a short term trough around the autumn and subsequent upward revisions have been supportive of sentiment.

Broad sector and style trends diverged between the first and second half of the year. Initially cyclicals - stocks that tend to do well in an economic upswing – and financials performed strongly, which was in turn reflected in "value" stocks – shares on lower ratings – outperforming. That reversed in the second half of the year with defensive stable growth sectors – companies that tend to do relatively well in most economic environments – outperforming. The net picture for the 12 months was that the upper echelons of sector performance were populated by cyclical or cyclical growth areas such as technology, steel and chemicals whilst the other end of the scale was more represented by defensive areas such as pharmaceuticals, food and transport.

Portfolio performance

Performance attribution – 12 months to 31 July 2017

	Impact (%)
Index total return	**+16.8**
Stock selection	+1.6
Gearing	+2.8
Costs	–1.0
Residual	+0.2
NAV total return	**+20.4**

Source: Schroders

Net gearing was generally 10-12% and this contributed positively given the strong market. Sector and stock selection were also beneficial. The largest stock contributors were in technology (e.g. Disco and Fujitsu) and financials (e.g. life insurer T&D Holdings). Detractors included holdings in more defensive areas such as Santen Pharmaceutical and telecommunications company KDDI.

Stock selection attribution – 12 months to 31 July 2017

Top 5 positive contributors to performance

Security	Company (%)	Load difference (%)	Absolute return (%)	Impact (%)
Disco	1.8	1.7	88.8	0.8
Fujitsu	1.4	1.1	93.0	0.5
T&D Holdings	1.8	1.6	56.7	0.4
Japan Tobacco	0.0	–1.1	–1.4	0.3
Inabata	1.2	1.2	55.5	0.3
Total				**2.3**

Top 5 negative contributors to performance

Security	Company (%)	Load difference (%)	Absolute return (%)	Impact (%)
KDDI	3.2	1.9	–4.6	–0.6
SK Kaken	2.0	2.0	–1.5	–0.5
Santen Pharmaceutical	1.6	1.5	–7.8	–0.5
Softbank	0.0	–1.7	58.0	–0.4
Hi-Lex	2.5	2.5	8.5	–0.4
Total				**–2.4**

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 yen.

Activity

One of the strongest areas of the market has been semiconductor equipment manufacturing. We sold out of two positions in this area, Screen Holdings and Hitachi Hi-tec. A long-standing position in Nitto Denko, which makes polarising film for flat panel displays, was also sold as the shares had become expensive. We also took profits in global cyclicals such as Mitsui OSK (shipping line) and Sumitomo Heavy Industries (a diversified machinery manufacturer). Some of the proceeds were reinvested in domestic cyclicals such as a new holding in Iida (affordable home builder). We also added to factory automation companies, including a new holding in SMC (pneumatic equipment manufacturer).

Smaller companies were strong as an asset class over the 12 months which facilitated some profit-taking, e.g. Sakata Inx. We also initiated some new small cap positions, such as Ship Healthcare (hospital consultancy) and Enplas (manufacturer of engineering plastics). Amongst more defensive parts of the market we started a new holding in Japan Tobacco, whose shares had been sold off due to a slow ramp-up in production of its new product, T-Vapor cigarettes (inhalable vapour tobacco cigarettes). We expect the company to catch up in 2018 and view the valuations as attractive.

Outlook

Market fundamentals remain broadly favourable. For the first time in more than 12 years the economy has recorded six consecutive quarters of positive GDP growth. A supportive global backdrop is a precondition of this relatively positive performance continuing, but domestic indicators have also improved. Inflation targets remain elusive, but the chances of a pick-up here are better than they have been for many years due to the extremely tight labour market. Bank of Japan policy is likely to remain accommodating until more concrete progress is visible in generation of inflationary expectations.

One area of domestic macro concern had been a fall in Prime Minister Abe's opinion poll ratings. However, the perceived threat to national security from North Korea is the type of event which usually favours an incumbent. This has been the case in Japan, such that the Prime Minister has called a snap election. Current polling suggests the Liberal Democratic Party (LDP) should win this handsomely but it does introduce short term risk. Were there to be a change of leadership, this would most likely undermine short term sentiment but ultimately it would be unlikely to lead to a change in policy, as the LDP is likely to remain the dominant party.

Previous reviews have mentioned the stronger incentives for companies to improve corporate governance. This remains the case and is being reflected in improved shareholder returns. Companies have just announced better than forecast first quarter profits. It seems likely that estimates for this year are in aggregate still too conservative. On this basis valuations look relatively attractive and this should contribute to more positive flows from international investors than has been the case so far in 2017.

Portfolio Analysis

Largest relative stock positions as at 31 July 2017

Five largest overweights	Portfolio (%)	Index (%)	Difference (%)
Sompo Japan Nipponkoa	3.2	0.4	+2.8
Bridgestone	3.3	0.7	+2.6
Hi-Lex	2.4	0.0	+2.4
TDK	2.6	0.2	+2.4
Disco	2.2	0.1	+2.1

Five largest underweights	Portfolio (%)	Index (%)	Difference (%)
Softbank	0.0	1.7	–1.7
Sony	0.0	1.4	–1.4
Mizuho Financial	0.0	1.1	–1.1
Keyence	0.0	1.0	–1.0
Takeda Pharmaceutical	0.0	1.0	–1.0

Top 5 overweight/underweight sector positions as at 31 July 2017

Fund Weight (%)		
7.7	Retail Trade	3.1
7.2	Land Transportation	3.1
4.9	Insurance	2.5
3.2	Rubber Products	2.2
10.3	Transportation Equipment	1.6
0.0	Electric Power & Gas	–1.8
0.2	Other Products	–1.9
5.9	Information & Com	–2.1
0.9	Services	–2.9
1.0	Foods	-3.6

Source: Schroders

Whilst the last six months have seen a reversion to outperformance by domestic/steady growth sectors, valuation premiums attached to these areas have not reached the extremes of mid-2016. Reflecting this we have added to positions in retail, food and transport. Nevertheless, we are still finding more opportunities in cyclicals such as autos, machinery and trading companies. Amongst domestic cyclicals we have been adding to real estate, a sector which has underperformed since the early days of Abenomics. The Company is still overweight financials, especially insurance. Valuations are attractive although it will probably take a more positive macro backdrop in the form of higher interest rate expectations for the sector to rise.

Schroder Investment Management Limited
5 October 2017

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

Investment Portfolio at 31 July 2017

	£'000	%
Electrical Appliances		
TDK	**7,811**	**2.6**
Koito Manufacturing	**5,468**	**1.8**
Mitsubishi Electric	**5,094**	**1.7**
Fujitsu	4,795	1.6
Hitachi	4,263	1.4
Canon	3,555	1.2
Nidec	1,978	0.7
Konica Minolta	1,333	0.4
Total Electrical Appliances	**34,297**	**11.4**
Transportation Equipment		
Toyota Motor	**12,546**	**4.2**
Hi-Lex	**7,318**	**2.4**
Isuzu Motors	**4,821**	**1.6**
Honda Motor	3,726	1.2
Unipres	2,541	0.8
Musashi Seimitsu Industry	1,267	0.4
Total Transportation Equipment	**32,219**	**10.6**
Land Transportation		
East Japan Railway	**8,543**	**2.8**
Sankyu	**6,389**	**2.1**
Central Japan Railway	3,835	1.3
Hitachi Transport System	3,566	1.2
Total Land Transportation	**22,333**	**7.4**
Banks		
Sumitomo Mitsui Financial	**10,333**	**3.4**
Mitsubishi UFJ Financial	**5,566**	**1.9**
Seventy Seven Bank	2,445	0.8
Fukuoka Financial	2,439	0.9
Chiba Bank	923	0.3
Total Banks	**21,706**	**7.3**
Chemicals		
SK Kaken	**5,423**	**1.8**
Sekisui Chemical	4,289	1.4
Sakata Inx	3,827	1.3
Fujifilm Holdings	2,520	0.8
T&K Toka	1,910	0.6
Nippon Shokubai	1,563	0.5
Nippon Soda	1,106	0.4
Total Chemicals	**20,638**	**6.8**

	£'000	%
Retail Trade		
Seven & I Holdings	4,691	1.6
AT Group	4,333	1.4
Izumi	2,779	0.9
H2O Retailing	2,507	0.8
ABC-Mart	2,410	0.8
Nafco	1,972	0.7
Don Quijote	1,272	0.4
Total Retail Trade	**19,964**	**6.6**
Information and Communication		
Nippon Telegraph and Telephone	**9,399**	**3.1**
KDDI	**9,075**	**3.0**
Chubu Nippon Broadcasting	778	0.3
Total Information and Communication	**19,252**	**6.4**
Wholesale Trade		
Mitsui & Co.	**7,159**	**2.4**
Inabata	3,975	1.3
Yamada Denki	3,633	1.2
Itochu	2,255	0.8
Mitsubishi	1,100	0.4
Total Wholesale Trade	**18,122**	**6.1**
Insurance		
Sompo Japan Nipponkoa	**9,634**	**3.2**
T&D Holdings	**5,682**	**1.9**
Total Insurance	**15,316**	**5.1**
Machinery		
Disco	**6,650**	**2.2**
Nabtesco	2,755	0.9
Nippon Thompson	2,171	0.7
JTEKT	1,641	0.5
Sumitomo Heavy Industries	1,586	0.5
Total Machinery	**14,803**	**4.8**
Pharmaceutical		
Santen Pharmaceutical	**5,249**	**1.7**
Otsuka Holdings	4,237	1.4
Astellas Pharma	2,513	0.8
Ship Healthcare	936	0.3
Total Pharmaceutical	**12,935**	**4.2**

Investment Portfolio at 31 July 2017

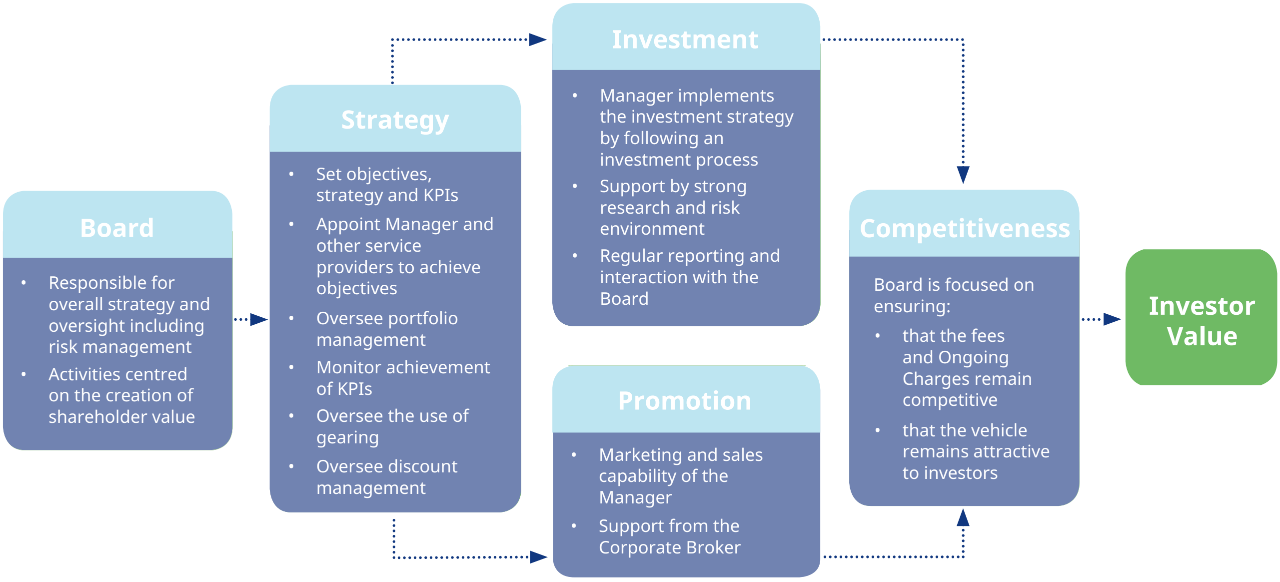
	£'000	%
Rubber Products		
Bridgestone	**9,910**	**3.3**
Total Rubber Products	**9,910**	**3.3**
Precision Instruments		
SMC	3,349	1.2
Hoya	2,084	0.7
Shimadzu	1,993	0.7
Enplas	1,287	0.4
Renesas Electronics	698	0.3
Total Precision Instruments	**9,411**	**3.3**
Construction		
Haseko	3,820	1.3
JGC	2,628	0.9
Sanki Engineering	1,883	0.6
Total Construction	**8,331**	**2.8**
Real Estate		
Mitsui Fudosan	2,835	0.9
Iida	2,485	0.8
Nomura Real Estate	1,717	0.6
Total Real Estate	**7,037**	**2.3**
Air Transportation		
Japan Airlines	**6,194**	**2.1**
Total Air Transportation	**6,194**	**2.1**
Non-Ferrous Metals		
Dowa Mining	2,909	1.0
Sumitomo Electric Industries	2,335	0.8
Total Non-Ferrous Metals	**5,244**	**1.8**
Securities and Commodity		
Nomura Holding	2,606	0.9
Tokai Tokyo Securities	1,834	0.6
Total Securities and Commodity	**4,440**	**1.5**
Oil and Coal products		
JX Holdings	4,305	1.4
Total Oil and Coal products	**4,305**	**1.4**
Other Financing Business		
Hitachi Capital	2,459	0.8
JAFCO	1,216	0.4
Total Other Financing Business	**3,675**	**1.2**

	£'000	%
Services		
H.I.S.	1,485	0.5
Recruit Holdings	1,462	0.5
Total Foods	**2,947**	**1.0**
Foods		
Sapporo Breweries	1,738	0.6
Total Foods	**1,738**	**0.6**
Tobacco		
Japan Tobacco	1,368	0.5
Total Foods	**1,368**	**0.5**
Warehousing and Harbour Transportation Services		
Kintetsu World Express	1,069	0.4
Total Warehousing and Harbour Transportation Services	**1,069**	**0.4**
Marine Transportation		
Mitsui O.S.K. Lines	935	0.3
Total Marine Transportation	**935**	**0.3**
Iron and Steel		
Mirai Industry	800	0.3
Total Iron and Steel	**800**	**0.3**
Other Products		
Nintendo	771	0.3
Total Other Products	**771**	**0.3**
Mining		
Inpex	737	0.2
Total Mining	**737**	**0.2**
Total investments	**300,497**	**100.0**

Stocks in bold are the 20 largest investments, which by value account for 49.2% (2016: 50.8%) of total investments. All investments are equities.

Strategic Review

Business model



The Company carries on business as an investment trust. It has been approved by HM Revenue & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010, by way of a one-off application and it is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status.

The Company is a public company limited by shares. It domiciled in the UK and is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company is not a close company for taxation purposes.

It is not intended that the Company should have a limited life but the Directors consider it desirable that shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at the Annual General Meeting in 2019 and thereafter at five yearly intervals.

The Company's business model may be demonstrated by the diagram above.

Investment objective and policy

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

The Board has appointed the Manager, Schroder Unit Trusts Limited, to implement the investment strategy and to manage the Company's assets in line with the appropriate restrictions placed on it by the Board, including limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, cash, derivatives and other financial instruments as appropriate.

Investment process

Investment philosophy and process

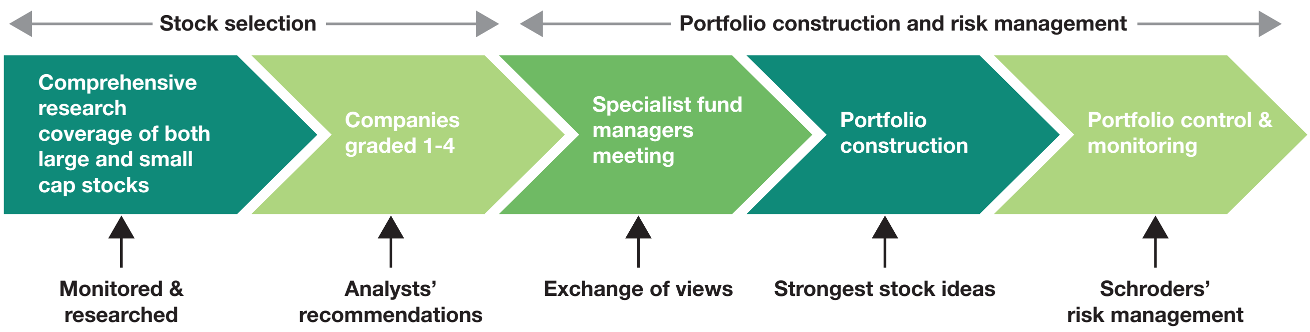
The Manager's Japanese equity investment philosophy is based on the belief that a competitive advantage can be gained from in-house research which should translate into superior investment performance through disciplined portfolio construction.

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

The Manager uses a disciplined approach to managing the portfolio. It has a repeatable process that starts with research and portfolio construction, and is supported by ongoing monitoring and portfolio control. The research is based on an intensive programme of company meetings: over 3,000 each year.

Strategic Review

Disciplined and repeatable approach



The portfolio manager, Andrew Rose, has been part of Schroders' Japanese team since 1981. While he is currently based in London, he relies heavily on the in-house research team in Tokyo. Being based in London gives the portfolio manager the best of both worlds: access to an experienced group of specialists in Japan and exposure to broader investment input in London.

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

Portfolio construction

An important part of the portfolio construction process is the debate and peer group challenge which takes place at a formal meeting twice a month. This meeting provides a forum to discuss and debate investment views and strategy, together with stock positions and stock ideas, and, importantly, serves to ensure vigorous debate.

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

Investment restrictions and spread of investment risk

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

In accordance with the investment objective, the Company, while being invested in a single country, ensures that the objective of spreading risk has been achieved through portfolio diversification (85 investments spread over 28 sectors at 31 July 2017).

Promotion

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

Promotion is focused via three channels:

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

The Board also seeks active engagement with investors and meetings with the Chairman are offered to professional investors where appropriate. 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.

Details of the Board's approach to discount management and share issuance may be found in the Chairman's Statement on page 3 and in the Explanation of Special Business at the AGM on page 45.

Strategic Review

Key performance indicators

The Board measures the development and success of the Company's business through achievement of the Company's investment objective, as set out on the inside front cover, which is considered to be the most significant key performance indicator for the Company. Comment on performance against the investment objective can be found in the Chairman's Statement.

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

Corporate and social responsibility

Board diversity

As at 31 July 2017, the Board comprised three men and one woman. The Board's approach to diversity is that candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board taking into account the specific criteria for the role being offered. Candidates are not specifically selected on the grounds of their gender but this is taken into account when the Board examines its overall balance, skill set and experience.

Responsible investment policy

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

A description of the Manager's policy on these matters can be found on the Schroders website at www.schroders.com/ri. The Board notes that Schroders believes that companies with good ESG management often perform better and deliver superior returns over time. Engaging with companies to understand how they approach ESG management is an integral part of the investment process. Schroders is compliant with the UK Stewardship Code and its compliance with the principles therein is reported on its website.

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

Anti-bribery and corruption policy

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

Greenhouse gas emissions

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

Principal risks and uncertainties

The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit 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 its strategic objectives. Both the principal risks and the monitoring system are also subject to robust review at least annually. The last review took place in September 2017.

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

The principal risks and uncertainties faced by the Company have remained unchanged throughout the year under review, except in respect of cyber risk relating to the Company's service providers, which has now been extended beyond the custodian. Cyber risk relating to all of the Company's key service providers is considered an increased threat in light of the rising propensity and impact of cyber attacks on businesses and institutions. To address the risk, the Board is seeking enhanced reporting on cyber risk mitigation and management from its key service providers to ensure that it is managed and mitigated appropriately.

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.

Risk	Mitigation and management
Strategic The Company's investment objectives may become out of line with the requirements of investors, resulting in a wide discount of the share price to underlying net asset value.	Appropriateness of the Company's investment remit periodically reviewed and success of the Company in meeting its stated objectives is monitored. Share price relative to net asset value monitored. Marketing and distribution activity is actively reviewed.
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 the agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio's risk profile; and appropriate strategies employed to mitigate any negative impact of substantial changes in markets. Annual review of the ongoing suitability of the Manager.
Financial and currency The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in Japanese equity markets could have an adverse impact on the market value of the Company's underlying investments and, as the Company invests predominantly in underlying 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.	Risk profile of the portfolio considered and appropriate strategies to mitigate any negative impact of substantial changes in markets discussed with the Manager. Board considers overall hedging policy on a regular basis.
The Company's cost base could become uncompetitive, particularly in light of open-ended alternatives.	Ongoing competitiveness of all service provider fees subject to periodic benchmarking against competitors. Annual consideration of management fee levels.

Risk	Mitigation and management
Custody Safe custody of the Company's assets may be compromised through control failures by the Depositary, including cyber hacking.	Depositary reports on safe custody of the Company's assets, including cash, and portfolio holdings are independently reconciled with the Manager's records. Review of audited internal controls reports covering custodial arrangements. Annual report from the Depositary on its activities, including matters arising from custody operations.
Gearing and leverage 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.	Gearing is monitored and strict restrictions on borrowings imposed: gearing continues to operate within pre-agreed limits so as not to exceed 25% of shareholders' funds.
Accounting, legal and regulatory 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. 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.	Confirmation of compliance with relevant laws and regulations by key service providers. Shareholder documents and announcements, including the Company's published Annual Report, are subject to stringent review processes. Procedures have been established to safeguard against disclosure of inside information.
Service provider The Company has no employees and has delegated certain functions to a number of service providers, principally the Manager, Depositary and Registrar. Failure of controls, including as a result of cyber hacking, and poor performance of any service provider could lead to disruption, reputational damage or loss.	Service providers appointed subject to due diligence processes and with clearly-documented contractual arrangements detailing service expectations. Regular reporting by key service providers and monitoring of the quality of services provided. Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements and IT controls.

Risk assessment and internal controls

Risk assessment includes consideration of the scope and quality of the systems of internal control operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the Audit 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 Committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this Report.

A full analysis of the financial risks facing the Company is set out in note 20 on pages 39 to 44.

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 2017 and the potential impacts of the principal risks and uncertainties it faces for the review period.

A period of five years has been chosen for the purposes of the assessment of viability 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 11 and 12 and in particular the impact of a significant fall in Japanese equity markets on the value of the Company's investment portfolio. The Directors have also considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary and on that basis consider that five years is an appropriate time period. While the Articles of Association require that a proposal for the continuation of the Company be put forward at the Company's Annual General Meeting in 2019, the Directors have no reason to believe that such a resolution will not be passed by shareholders.

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

Going concern

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

By Order of the Board

Schroder Investment Management Limited
Company Secretary

5 October 2017

Board of Directors

Jonathan Taylor

Status: Independent Non-Executive Chairman

Length of service: 18 years, appointed a Director in July 1999 and Chairman in April 2004
Experience: Mr Taylor is Chairman and Managing Director of Dragon Partners Limited. He is a Director of Aberdeen Greater China Fund Inc. He was previously a Director of Baring Asset Management Limited (1976–1997) where he was closely involved with the development of its client base in Japan. He is a Barrister at law.
Committee membership: Audit, Management Engagement and Nomination Committees
Current remuneration: £35,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None
Date elected/last re-elected: 2016

Anja Balfour

Status: Independent Non-Executive Director

Length of Service: 4 years, appointed a Director in May 2013
Experience: Mrs Balfour spent 22 years managing Japanese, Far Eastern and International equity portfolios for Stewart Ivory, Baillie Gifford and, latterly, Axa Framlington. She is a non-executive director of Martin Currie Asia Unconstrained Trust plc, F&C Global Smaller Companies PLC and is a trustee of Venture Scotland, a charity specialising in personal development for young people. She is a member of the CFA Society of the UK and Archangel Informal Investment, a business angel syndicate.
Committee membership: Audit, Management Engagement and Nomination Committees (Chairman of the Audit Committee)
Current remuneration: £28,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None
Date elected/last re-elected: 2016

Board of Directors

Alan Gibbs

Status: Independent Non-Executive Director

Length of Service: 1 year, appointed a Director in February 2016
Experience: Mr Gibbs worked for the Fleming Group for 17 years with responsibility for investments in Japan and throughout the Far East, after which he helped set up and run two Far Eastern brokerages before joining J.O. Hambro (latterly Waverton), where he ran Far Eastern funds. Mr Gibbs is now Chairman of the Burdett Trust, a nursing charity and an independent non-executive Director of the M&G Charibond Charities Fixed Interest Common Investment Fund (Charibond) and a member of the Advisory Committee of the M&G Equities Investment Fund for Charities (Charifund).
Committee membership: Audit, Management Engagement and Nomination Committees
Current remuneration: £25,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None
Date elected/last re-elected: 2016

Richard Greer

Status: Independent Non-Executive Director

Length of Service: 7 years, appointed a Director in November 2009
Experience: Mr Greer worked in Japan for fifteen years, for Jardine Matheson and subsequently, as branch manager, for Baring Securities (Japan) Limited, until 1993. He has extensive experience of company research, and headed the group established by the Japanese Ministry of Finance representing the EU investment banks and brokerages. On returning to London, he was global head of research at Barings, Caspian Limited and Commerzbank AG, before becoming a partner at WMG Limited, a wealth management group, and head of marketing at Toscafund Limited. He is currently Chairman of Myanmar Strategic Holdings Limited.
Committee membership: Audit, Management Engagement and Nomination Committees (Chairman of the Management Engagement and Nomination Committees)
Current remuneration: £25,000 per annum
Connections with the Manager: None
Material interests in any contract which is significant to the Company's business: None
Shared Directorships with any other Directors of the Company: None
Date elected/last re-elected: 2015

Report of the Directors

The Directors submit their Report and the audited financial statements of the Company for the year ended 31 July 2017.

Revenue and dividend

The net revenue return for the year, before finance costs and taxation, was £5,269,000 (2016: £4,544,000). After deducting finance costs and taxation the amount available for distribution to shareholders was £4,522,000 (2016: £3,898,000) equivalent to net revenue of 3.62p (2016: 3.12p) per ordinary share.

The Directors have recommended the payment of a final dividend for the year of 3.50p per share (2016: 2.80p) payable on 6 November 2017 to shareholders on the Register on 13 October 2017, subject to approval by shareholders at the Annual General Meeting on 2 November 2017.

Directors and their interests

The Directors of the Company and their biographical details can be found on pages 14 and 15. All Directors held office throughout the year under review. Details of Directors' share interests in the Company are set out in the Remuneration Report on page 24.

In accordance with the Company's Articles of Association and the UK Corporate Governance Code, Mr Taylor will retire at the AGM, and being eligible, offer himself for re-election.

Re-appointment as a Director is not automatic and follows a formal process of evaluation of each Director's performance. Directors who have served for more than six years are subject to particulary rigorous assessment of their independence and contribution.

Whilst the Board does not believe that length of service, by itself, necessarily affects a Director's independence of character or judgment, Directors are also required to retire each year if they have served more than nine years on the Board, but may then offer themselves for re-election. The Board has assessed the independence of all Directors. All Directors are considered to be independent in character and judgment.

The Board, having taken all relevant matters into account, considers that Mr Taylor continues to demonstrate commitment to his role, provides valuable contributions to the deliberations of the Board and remains free from conflicts with the Company and its Directors. It therefore recommends that shareholders vote in favour of his re-election.

Share capital

As at the date of this Report, the Company had 125,008,200 ordinary shares of 10p in issue. No shares are held in treasury. Accordingly, the total number of voting rights in the Company at the date of this Report is 125,008,200. There have been no changes to the Company's share capital during the year under review.

Substantial share interests

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

	As at 31 July 2017	Percentage of total voting rights
Investec Wealth & Investment Limited	15,001,910	12.00
Derbyshire County Council	9,025,000	7.22
Lazard Asset Management LLC	8,745,475	7.00
1607 Capital Partners LLC	6,452,472	5.16
Wells Capital Management, Inc	6,277,080	5.02
Rathbone Brothers PLC	6,254,245	5.00

There have been no changes since the year end.

Key service providers

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

Manager

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

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

The Schroders Group manages £418.2 billion (as at 30 June 2017) 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.

Report of the Directors

The Manager is entitled to a fee at the rate of 0.75% per annum on assets up to and including £200 million and 0.65% per annum thereafter, charged on the value of the Company's assets under management, net of current liabilities other than short term borrowings.

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

During the year ended 31 July 2017 the Manager was entitled to receive a fee of £90,000 for secretarial services provided to the Company.

The management fee payable in respect of the year ended 31 July 2017 amounted to £2,071,000 (2016: £1,712,000).

Details of all amounts payable to the Manager are set out in note 17 on page 38.

The Board has reviewed the performance of the Manager during the year under review and continues to consider that it has the appropriate depth and quality of resource to deliver superior returns over the longer term. Thus, the Board considers that the Manager's appointment under the terms of the AIFM Agreement, further details of which are set out above, is in the best interests of shareholders as a whole.

Depositary

HSBC Bank plc, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, 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.

Corporate Governance Statement

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment trust in order to comply with the principles of the UK Corporate Governance Code. The Financial Reporting Council published a revised version of the UK Corporate Governance Code in April 2017 (the "Code") which applies to accounting periods beginning on or after 17 June 2016 and the disclosures in this Statement report against its provisions. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

Compliance statement

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities on page 22 and the viability and going concern statements set out on page 13 indicate how the Company has complied with the Code's principles of good governance and its requirements on internal control.

The Board believes that the Company has, throughout the year under review, complied with all relevant provisions set out in the Code, save in respect of the appointment of a Senior Independent Director, where departure from the Code is considered appropriate given the Company's position as an investment trust. The Board has considered whether a Senior Independent Director should be appointed. As the Board comprises entirely non-executive Directors, the appointment of a Senior Independent Director is not considered necessary. However, the chair of the Audit Committee effectively acts as the Senior Independent Director, leads the evaluation of the performance of the Chairman and is available to Directors and/or shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

Operation of the Board

Chairman

The Chairman is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 14. He has no conflicting relationships.

Role and operation of the Board

The Board is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long term success. The Board is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objective of the Company continues to be met. The Board also ensures that the Manager adheres to the investment restrictions set by the Board and acts within the parameters set by it in respect of any gearing.

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

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

Report of the Directors

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

Training and development

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

Conflicts of interest

The Board has approved a policy on Directors' conflicts of interest. Under this policy, Directors are required to disclose all actual and potential conflicts of interest to the Board as they arise for consideration and approval. The Board may impose restrictions or refuse to authorise such conflicts if deemed appropriate.

Board evaluation

In order to review the effectiveness of the Board, the Committees and the individual Directors, a thorough evaluation process is in place. This is implemented by way of a questionnaire and discussions with the Chairman. In respect of the Chairman himself, discussions are held between the Directors and the Audit Committee Chairman. The process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and the Committees, the contribution of individual Directors and building and developing individual and collective strengths. The last evaluation took place during 2017.

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 indemnity was in place throughout the year under review and to the date of this report.

Directors' attendance at meetings

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

The number of 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 Annual General Meeting.

Director	Board	Nomination Committee	Audit Committee	Management Engagement Committee
Jonathan Taylor	4/4	2/2	3/3	1/1
Anja Balfour	4/4	2/2	3/3	1/1
Alan Gibbs	4/4	2/2	3/3	1/1
Richard Greer	4/4	2/2	3/3	1/1

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 as Directors.

Relations with shareholders

Shareholder relations are given high priority by both the Board and the Manager. The Company communicates with shareholders through its webpage and the Annual Report which aims to provide shareholders with a clear understanding of the Company's activities and its results.

The Chairmen of the Board and its committees attend the Annual General Meeting ("AGM") whenever possible and are available to respond to queries and concerns from shareholders.

It is the intention of the Board that the Annual Report and Notice of the AGM be issued to shareholders so as to provide at least 20 working days notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the address given on the outside back cover.

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

Committees

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

The Committees of the Board have defined Terms of Reference which are available on the webpage www.schroders.co.uk/japangrowth. Membership of the Committees is set out on pages 14 and 15 of this Report.

Report of the Directors

Nomination Committee

The Nomination Committee is responsible for succession planning bearing in mind the balance of skills, knowledge, experience and diversity existing on the Board and will recommend to the Board when the further recruitment of non-executive Directors is required. The Nomination Committee aims to maintain a balance of relevant skills, experience and length of service of the Directors serving on the Board, taking gender into account.

Before the appointment of a new Director, the Committee prepares a description of the role and capabilities required for a particular appointment. While the Committee is dedicated to selecting the best person for the role, the Board also recognises the importance of diversity. The Board agrees that its members should overall possess a range of experience, knowledge, professional skills and personal qualities as well as independence necessary to provide effective oversight of the affairs of the Company. These qualities are taken into account in considering the appointment of a new Director. The Board does not consider it appropriate or to be in the interests of shareholders as a whole to establish prescriptive diversity targets.

Candidates are drawn from suggestions put forward either from recommendation from within the Company or by the use of an external agency. Candidates are then interviewed by members of the Committee, which makes a recommendation to the Board.

To discharge its duties, the Committee met on two occasions during the year to consider its terms of reference, Board balance, skills and succession planning.

Management Engagement Committee

The role of the Management Engagement Committee is to ensure that the Manager remains suitable to manage the portfolio, that the management contract is competitive and reasonable for the shareholders, and that the Company maintains appropriate administrative and company secretarial support. The Committee also reviews the services provided by other service providers. All Directors are members of the Management Engagement Committee which is chaired by Mr Greer. The Board considers each member of the Committee to be independent.

To discharge its duties, the Committee met on one occasion during the year to consider: the performance and suitability of the Manager; the terms and conditions of the AIFM Agreement, including fees; the performance and suitability of other service providers, Directors' fees and the Committee's terms of reference.

By Order of the Board

Schroder Investment Management Limited
Company Secretary

5 October 2017

Report of the Audit Committee

The responsibilities and work carried out by the Audit Committee in the year under review are set out in the following report. The duties and responsibilities of the Committee may be found in the Terms of Reference. Membership of the Committee is as set out on pages 14 and 15. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience.

The Committee met three times during the year ended 31 July 2017. The Committee discharged its responsibilities by:

- considering its Terms of Reference;
- reviewing the operational controls maintained by the Manager and Depositary;
- reviewing the Half Year and Annual Report and Accounts and related audit plan and engagement letter;
- reviewing the need for an internal audit function;
- reviewing the independence of the Auditors;
- evaluating the Auditors' performance; and
- reviewing the principal risks faced by the Company and the system of internal control.

Annual report and financial statements

During its review of the Company's financial statements for the year ended 31 July 2017, the Committee considered the significant issues set out in the table below, including consideration of principal risks and uncertainties in light of the Company's activities, and issues communicated by the Auditors during its reporting.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31 July 2017, 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 22.

Issue considered	How the issue was addressed
– Valuation and existence of holdings	– Review of portfolio holdings and assurance reports on controls from the Manager and Depositary.
– Overall accuracy of the Annual Report and Accounts	– Consideration of the draft Annual Report and Accounts and the letter from the Manager in support of the letter of representation to the Auditor.
– Calculation of the investment management fee	– Consideration of methodology used to calculate the fee, matched against the criteria set out in the AIFM Agreement.
– Internal controls and risk management	– Consideration of several key aspects of internal control and risk management operating within the Manager, Depositary and Registrar.
– Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010	– Consideration of the Manager's report confirming compliance.

Report of the Audit Committee

Effectiveness of the independent audit process

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

Representatives of the Auditors attend the Committee meeting at which the draft Annual Report and Accounts is considered. Having reviewed the performance of the Auditors as described above, the Committee considered it appropriate to recommend the firm's re-appointment.

The Auditors are required to rotate the Senior Statutory Auditor every five years. This is the fifth and final year that the Senior Statutory Auditor will conduct the audit of the Company's financial statements and the appointment of his successor will be considered by the Committee.

PricewaterhouseCoopers LLP has provided audit services to the Company from its incorporation in 1994 to date. The Statutory Auditors and Third Country Regulations 2016 (the "Regulations") were published on 17 June 2016 and take effect for financial periods commencing on or after that date. The Audit Committee has reviewed the impact of the Regulations on the Company's current policies, noting that they include mandatory periodic rotation of the Auditors and re-tendering of the audit contract. PricewaterhouseCoopers LLP will need to be replaced as the Company's Auditors before commencement of the audit in 2020 and the Audit Committee will put the audit contract out to tender prior to that date.

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Accordingly, resolutions to re-appoint PricewaterhouseCoopers LLP as Auditors to the Company, and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Provision of information to the Auditors

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 Auditors are 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 Auditors are aware of that information.

Provision of non-audit services

The Committee has reviewed the FRC's Guidance on Audit Committees and has formulated a policy on the provision of non-audit services by the Company's Auditors. The Audit Committee has determined that the Company's appointed Auditors 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 Auditors may, if required, provide other non-audit services however, and this will be judged on a case-by-case basis.

The Auditors have provided taxation compliance services to the Company during the year, for which they received a fee of £2,000 (2016: £2,000).

Internal audit

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

Anja Balfour
Audit Committee Chairman

5 October 2017

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

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

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

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

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

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

The Manager is responsible for the maintenance and integrity of the Company's webpage. 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, is 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 14 and 15 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

Jonathan Taylor
Chairman

5 October 2017

Directors' Remuneration Report

Introduction

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

The following Remuneration Policy is currently in force and is subject to a binding vote every three years. An ordinary resolution to approve the Remuneration Policy will be put to shareholders at the forthcoming AGM and the current policy provisions will apply until that date (no changes are proposed). In addition, 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 5 November 2014, 99.82% 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 0.18% were against. 47,280 votes were withheld.

At the AGM held on 2 November 2016, 99.88% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Report on Remuneration for the year ended 31 July 2016 were in favour, while 0.12% were against. 42,700 votes were withheld.

Directors' remuneration policy

The determination of the Directors' fees is a matter considered by the Management Engagement Committee and the Board.

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

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

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

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

The Board did not seek the views of shareholders in setting this Remuneration 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 Remuneration 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 2017.

Fees paid to Directors

The following amounts were paid by the Company to the Directors for services as non-executive Directors in respect of the year ended 31 July 2017 and the previous financial year:

	Salary/fees 2017 £	2016 £
Jonathan Taylor (Chairman)	**35,000**	34,000
Anja Balfour	**28,000**	26,125
Alan Gibbs[1]	**25,000**	12,500
Richard Greer	**25,000**	24,375
John Scott[2]	**–**	11,042
Total	**113,000**	108,042

[1]Appointed as a Director on 1 February 2016.
[2]Retired as a Director on 31 December 2015.

The information in the above table has been audited.

Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the Board in September 2017. The members of the Board at the time that remuneration levels were considered were as set out on pages 14 and 15. 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

Governance

Directors' Remuneration Report

Schroders and peer group companies provided by the Manager and corporate broker was taken into consideration.

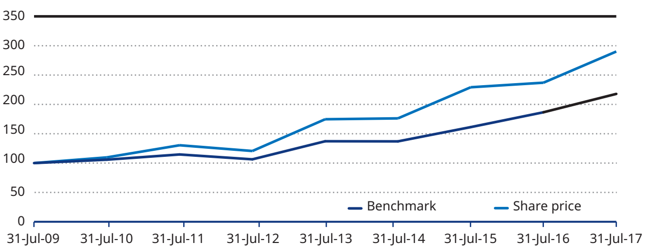
Following the annual review, the Board agreed that, with effect from 1 November 2017, Director fees (excluding those of the Chairman) should increase by £500 to £25,500 per annum. It was further agreed that, in light of increasing regulatory responsibilities, the additional fee paid to the Chairman of the Audit Committee should increase by £1,000 to £4,000 per annum with effect from the same date.

Expenditure by the Company on remuneration and distributions to shareholders

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

	Year ended 31 July 2017 £'000	Year ended 31 July 2016 £'000	Change (%)
Remuneration payable to Directors	**113**	108	4.6
Distributions paid to shareholders – dividends	**3,500**	2,500	40.0

8 year share price and benchmark total returns



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

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 2017	At 1 August 2016
Jonathan Taylor	**23,000**	23,000
Anja Balfour	**9,000**	9,000
Alan Gibbs	**100,000**	–
Richard Greer	**9,689**	31,689

The information in the above table has been audited (see Independent Auditors' Report on pages 25 to 29). There have been no changes since the year end.

Jonathan Taylor
Chairman

5 October 2017

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

Report on the financial statements

Opinion

In our opinion, Schroder Japan Growth Fund plc’s financial statements:

- give a true and fair view of the state of the Company’s affairs as at 31 July 2017 and of its profit for the year then ended;
- have been properly 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); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the “Annual Report”), which comprise: the Statement of Financial Position as at 31 July 2017; the Income Statement, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Certain disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC’s Ethical Standard were not provided to the Company.

Other than those disclosed in the Report of the Audit Committee, we have provided no non-audit services to the Company in the period from 1 August 2016 to 31 July 2017.

Our audit approach

Overview

Materiality

- Overall materiality: £2.7 million (2016: £2.3 million), which is based on 1% of Net assets.

Audit Scope

- The Company is a standalone Investment Trust Company and engages Schroder Unit Trusts Limited (the “Manager”) to manage its assets.
- We conduct our audit of the financial statements at the offices of HSBC Securities Services, to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We have tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters

- Income from investments.
- Valuation and existence of investments.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

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

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Income from investments Refer to pages 20 and 21 (Report of the Audit Committee), page 32 (Accounting Policies) and page 34 (notes). ISAs (UK) presume there is a risk of fraud in income recognition. We considered this risk to specifically relate to the risk of overstating investment gains and the misclassification of dividend income as capital rather than revenue due to the pressure management may feel to achieve capital growth in line with the objective of the Company. We focused on the accuracy and existence of gains on investments and the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the "AIC SORP").	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of key controls surrounding income recognition. The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains and losses, we tested the valuation of the portfolio at the year end (see below), together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses. No misstatements were identified by our testing which required reporting to those charged with governance. In addition, we tested dividend receipts by agreeing the dividend rates from a sample of investments to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared for a sample of dividends during the year. Our testing did not identify any unrecorded dividends. We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. We then tested the classification of income and capital special dividends to independent third party sources. We did not find any special dividends that were not treated in accordance with the AIC SORP.
Valuation and existence of investments. Refer to pages 20 and 21 (Report of the Audit Committee), page 32 (Accounting Policies) and pages 36 and 37 (Notes to the Accounts). The investment portfolio at 31 July 2017 comprised listed equity investments of £300 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed in the Statement of Financial Position in the financial statements.	We 100% tested the valuation of the listed investments by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. We agreed the existence of investments to independent third party sources by agreeing the holdings of investments to an independent confirmation from the Depositary, HSBC Bank plc as at 31 July 2017. No differences were identified.

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

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

The Manager outsources certain accounting administrative functions to HSBC, who maintains its own accounting records and controls, and reports to the Manager and the Directors.

We have conducted a fully substantive audit. However, as part of our risk assessment, we assessed the control environment in place at the Manager and HSBC to the extent relevant to our audit. This assessment involved obtaining and reading the relevant controls reports, issued by the independent auditors of the Manager and HSBC in accordance with generally accepted assurance standards for work, to gain an understanding of the Manager's and HSBC's control environments and to consider the operating and accounting structure at the Manager and HSBC. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

Overall materiality	£2.7 million (2016: £2.3 million).
How we determined it	1% of Net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £135,000 (2016: £113,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report and Accounts other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that

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

there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 July 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors. (CA06)

The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or draw attention to regarding:

– The Directors' confirmation on page 11 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

– The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

– The Directors' explanation on page 13 of the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

– The statement given by the Directors, on page 22, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.

– The section of the Annual Report on page 20 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

– The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 22, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 22 March 1995 to audit the financial statements for the year ended 31 July 1995 and subsequent financial periods. The period of total uninterrupted engagement is 23 years, covering the years ended 31 July 1995 to 31 July 2017.

Richard McGuire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

5 October 2017

- The maintenance and integrity of the Schroders website is the responsibility of the Manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement for the year ended 31 July 2017

	Note	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Gains on investments held at fair value through profit or loss	2	–	41,386	41,386	–	25,692	25,692
Net foreign currency gains/(losses)		–	1,910	1,910	–	(11,102)	(11,102)
Income from investments	3	6,391	–	6,391	5,588	–	5,588
Other interest receivable and similar income	3	–	–	–	1	–	1
Gross return		6,391	43,296	49,687	5,589	14,590	20,179
Investment management fee	4	(621)	(1,450)	(2,071)	(514)	(1,198)	(1,712)
Administrative expenses	5	(501)	–	(501)	(531)	–	(531)
Net return before finance costs and taxation		5,269	41,846	47,115	4,544	13,392	17,936
Finance costs	6	(108)	(252)	(360)	(87)	(203)	(290)
Net return on ordinary activities before taxation		5,161	41,594	46,755	4,457	13,189	17,646
Taxation on ordinary activities	7	(639)	–	(639)	(559)	–	(559)
Net return on ordinary activities after taxation		4,522	41,594	46,116	3,898	13,189	17,087
Return per share	9	3.62p	33.27p	36.89p	3.12p	10.55p	13.67p

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

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

The notes on pages 32 to 44 form an integral part of these accounts.

Statement of Changes in Equity for the year ended 31 July 2017

	Called-up share capital £'000	Share premium £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2015	12,501	7	3	97,205	99,692	2,693	212,101
Net return on ordinary activities	–	–	–	–	13,189	3,898	17,087
Dividend paid in the year	–	–	–	–	–	(2,500)	(2,500)
At 31 July 2016	12,501	7	3	97,205	112,881	4,091	226,688
Net return on ordinary activities	–	–	–	–	41,594	4,522	46,116
Dividend paid in the year	–	–	–	–	–	(3,500)	(3,500)
At 31 July 2017	**12,501**	**7**	**3**	**97,205**	**154,475**	**5,113**	**269,304**

The notes on pages 32 to 44 form an integral part of these accounts.

Statement of Financial Position at 31 July 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**300,497**	254,114
Current assets			
Debtors	11	**949**	1,077
Cash at bank and in hand		**11,026**	16,565
		11,975	17,642
Current liabilities			
Creditors: amounts falling due within one year	12	**(1,979)**	(973)
Net current assets		**9,996**	16,669
Total assets less current liabilities		**310,493**	270,783
Creditors: amounts falling due after more than one year	13	**(41,189)**	(44,095)
Net assets		**269,304**	226,688
Capital and reserves			
Called-up share capital	14	**12,501**	12,501
Share premium	15	**7**	7
Warrant exercise reserve	15	**3**	3
Share purchase reserve	15	**97,205**	97,205
Capital reserves	15	**154,475**	112,881
Revenue reserve	15	**5,113**	4,091
Total equity shareholders' funds		**269,304**	226,688
Net asset value per share	16	**215.43p**	181.34p

These accounts were approved and authorised for issue by the Board of Directors on 5 October 2017 and signed on its behalf by:

Jonathan Taylor
Chairman

The notes on pages 32 to 44 form an integral part of these accounts.

Registered in England and Wales

Company registration number: 2930057

Financial

Notes to the Accounts

1. Accounting policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), in particular in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in November 2014 and updated in January 2017. 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 and derivative financial instruments held at fair value through profit or loss.

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 2016.

(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.

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

The Company has early adopted an amendment to paragraph 34.22 of FRS 102, issued by the Financial Reporting Council in March 2016, regarding the criteria used to categorise investments into the fair value hierarchy set out in note 19 on page 39.

(c) Accounting for reserves

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

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

(d) Income

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

Overseas dividends are included gross of any withholding tax.

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

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

(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 pages 36 and 37.

Notes to the Accounts

(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 accounting date.

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

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

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

(i) Foreign currency

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

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction. Monetary assets, liabilities and equity investments denominated in foreign currencies at the year end, are translated at the rates of exchange prevailing at the year end.

(j) Dividend payable

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

Notes to the Accounts

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

	2017 £'000	2016 £'000
Gains on sales of investments based on historic cost	12,322	9,617
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(7,256)	(6,700)
Gains on sales of investments based on the carrying value at the previous balance sheet date	5,066	2,917
Net movement in investment holding gains and losses	36,320	22,775
Gains on investments held at fair value through profit and loss	41,386	25,692

3. Income

	2017 £'000	2016 £'000
Income from investments:		
Overseas dividends	6,391	5,588
Other interest receivable and similar income		
Deposit interest	–	1
Total income	6,391	5,589

4. Investment management fee

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Management fee	621	1,450	2,071	514	1,198	1,712

The basis for calculating the investment management fee is set out in the Report of the Directors on pages 16 and 17 and details of all amounts payable to the Manager are given in note 17 on page 38.

5. Administrative expenses

	2017 £'000	2016 £'000
Administration expenses	224	259
Directors' fees[1]	113	108
Company secretarial fee	90	90
Marketing support fee	50	50
Auditors' remuneration for audit services	22	22
Auditors' remuneration for taxation compliance services	2	2
	501	531

[1]Details of all amounts payable to Directors are given in the Remuneration Report on page 23.

6. Finance costs

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Interest on bank loans and overdrafts	108	252	360	87	203	290

7. Taxation on ordinary activities

	2017 £'000	2016 £'000
(a) Analysis of charge in the year:		
Irrecoverable overseas tax	639	559
Taxation on ordinary activities	639	559

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2016: lower) than the Company's applicable rate of corporation tax for the year of 19.67% (2016: 20.0%).

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

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Net return on ordinary activities before taxation	5,161	41,594	46,755	4,457	13,189	17,646
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19.67% (2016: 20.0%)	1,015	8,181	9,196	891	2,638	3,529
Effects of :						
Capital returns on investments	–	(8,516)	(8,516)	–	(2,918)	(2,918)
Income not chargeable to corporation tax	(1,257)	–	(1,257)	(1,118)	–	(1,118)
Unrelieved expenses	242	335	577	227	280	507
Irrecoverable overseas tax	639	–	639	559	–	559
Taxation on ordinary activities	639	–	639	559	–	559

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £4,283,000 (2016: £4,008,000) based on a prospective corporation tax rate of 17% (2016: 18%). The reduction in the standard rate of corporation tax was substantively enacted in September 2016 and is effective from 1 April 2020.

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

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

Notes to the Accounts

8. Dividends

Dividends paid and proposed

	2017 £'000	2016 £'000
2016 final dividend of 2.80p (2015: 2.00p) paid out of revenue profits	**3,500**	2,500

	2017 £'000	2016 £'000
2017 final dividend proposed of 3.50p (2016: 2.80p) to be paid out of revenue profits	**4,375**	3,500

The proposed dividend amounting to £4,375,000 (2016: £3,500,000) 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 £4,522,000 (2016: £3,898,000).

9. Return per share

	2017	2016
Revenue return (£'000)	**4,522**	3,898
Capital return (£'000)	**41,594**	13,189
Total return (£'000)	**46,116**	17,087
Weighted average number of ordinary shares in issue during the year	**125,008,200**	125,008,200
Revenue return per share	**3.62p**	3.12p
Capital return per share	**33.27p**	10.55p
Total return per share	**36.89p**	13.67p

10. Investments held at fair value through profit or loss

	2017 £'000	2016 £'000
Opening book cost	**166,176**	166,962
Opening investment holding gains	**87,938**	71,863
Opening valuation	**254,114**	238,825
Purchases at cost	**32,971**	18,153
Sales proceeds	**(27,974)**	(28,556)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**5,066**	2,917
Net movement in investment holding gains and losses	**36,320**	22,775
Closing valuation	**300,497**	254,114
Closing book cost	**183,495**	166,176
Closing investment holding gains	**117,002**	87,938
Total investments held at fair value through profit or loss	**300,497**	254,114

All investments are listed on a recognised stock exchange.

Notes to the Accounts

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

	2017 £'000	2016 £'000
On acquisitions	24	15
On disposals	23	23
	47	38

11. Debtors

	2017 £'000	2016 £'000
Securities sold awaiting settlement	607	713
Dividends and interest receivable	318	333
Other debtors	24	31
	949	1,077

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

12. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Securities purchased awaiting settlement	742	370
Other creditors and accruals	1,237	603
	1,979	973

The Company has a yen 1 billion credit facility available with Scotiabank, which was undrawn at the year end and comparative year end. The facility is unsecured but is subject to covenants and restrictions which are customary for a facilty of this nature. Further details of the facility are given in note 20 on page 41.

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

13. Creditors: amounts falling due after more one year

	2017 £'000	2016 £'000
Bank loan	41,189	44,095

The bank loan is a yen 6.0 billion three year term loan with Scotiabank, expiring on 18 January 2019, and carrying a fixed interest rate of 0.82% per annum. The loan is unsecured but is subject to certain undertakings and restrictions, all of which have been complied with by the Company.

The Directors consider that the carrying amount of the bank loan approximates to its fair value.

14. Called-up share capital

	2017 £'000	2016 £'000
Ordinary shares allotted, called-up and fully paid:		
125,008,200 ordinary shares of 10p each	12,501	12,501

15. Reserves

				Capital reserves		
	Share premium[1] £'000	Warrant exercise reserve[1] £'000	Share purchase reserve[2] £'000	Gains and losses on sales of investments[2] £'000	Investment holding gains and losses[3] £'000	Revenue reserve[4] £'000
Opening balance	7	3	97,205	27,915	84,966	4,091
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	5,066	–	–
Net movement in investment holding gains and losses	–	–	–	–	36,320	–
Transfer on disposal of investments	–	–	–	7,256	(7,256)	–
Realised exchange losses on cash and short term deposits	–	–	–	(996)	–	–
Exchange gains on foreign currency loan	–	–	–	–	2,906	–
Management fee and finance costs allocated to capital	–	–	–	(1,702)	–	–
Dividend paid	–	–	–	–	–	(3,500)
Retained revenue for the year	–	–	–	–	–	4,522
Closing balance	7	3	97,205	37,539	116,936	5,113

The Company's Articles of Association permit dividend distributions out of realised capital profits.

[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

	2017	2016
Net assets attributable to shareholders (£'000)	269,304	226,688
Shares in issue at the year end	125,008,200	125,008,200
Net asset value per share	215.43p	181.34p

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 pages 16 and 17. 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 2017 amounted to £2,071,000 (2016: £1,712,000), of which £1,030,000 (2016: £459,000) was outstanding at the year end. The marketing support fee payable to the Manager amounted to £50,000 (2016: £50,000) of which £25,000 (2016: £13,000) was outstanding at the year end. The company secretarial fee payable to the Manager amounted to £90,000 (2016: £90,000) of which £45,000 (2016: £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 23 and details of Directors' shareholdings are given in in the Remuneration Report on page 24. Details of transactions with the Manager are given in note 17 above. There have been no other transactions with related parties during the year (2016: nil).

19. Disclosures regarding financial instruments measured at fair value

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

FRS 102 requires financial instruments to be categorised into a hierarchy consisting of the three levels below. Note that the criteria used to categorise investments include an amendment to paragraph 34.22 of FRS 102, issued by the Financial Reporting Council in March 2016, and which the Company has early adopted.

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 32.

At 31 July 2017, all investments in the Company's portfolio are categorised as Level 1 (2016: same).

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

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

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

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

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

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

(a) Market risk

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

(i) Currency risk

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

Management of currency risk

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

Notes to the Accounts

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.

	2017 £'000	2016 £'000
Debtors (securities sold awaiting settlement, dividends and interest receivable)	**925**	1,046
Cash at bank and in hand	**11,026**	12,329
Creditors (securities purchased awaiting settlement)	**(742)**	(370)
Bank loans (including accrued interest payable)	**(41,200)**	(44,107)
Foreign currency exposure on net monetary items	**(29,991)**	(31,102)
Investments held at fair value through profit or loss that are equities	**300,497**	254,114
Total net foreign currency exposure	**270,506**	223,012

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 accounting date and assumes a 10% (2016: 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:

	2017 £'000	2016 £'000
Income statement – return after taxation		
Revenue return	**564**	494
Capital return	**(3,024)**	(3,131)
Total return after taxation for the year	**(2,460)**	(2,637)
Net assets	**(2,460)**	(2,637)

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

	2017 £'000	2016 £'000
Income statement – return after taxation		
Revenue return	**(564)**	(494)
Capital return	**3,024**	3,131
Total return after taxation for the year	**2,460**	2,637
Net assets	**2,460**	2,637

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

(ii) Interest rate risk

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

Management of interest rate risk

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

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

Interest rate exposure

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

	2017 £'000	2016 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	**11,026**	16,565
Total exposure	**11,026**	16,565

Interest receivable on cash balances is at a margin below LIBOR (2016: same).

During the year, the Company extended its credit facility with Scotiabank to 9 March 2018. Under the terms of the agreement, the Company may draw down up to yen 1 billion (2016: yen 1 billion) or the equivalent in another currency as agreed with the lender. Interest is payable at a rate of LIBOR as quoted in the market for the relevant currency and loan period plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. The facility was undrawn at 31 July 2017 and 31 July 2016.

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

	2017 £'000	2016 £'000
Minimum credit/maximum debit interest rate exposure during the year – net cash/(debt)	**10,634**	(29,818)
Maximum credit interest rate exposure during the year – net cash	**18,213**	16,565

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1.0% (2016: 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.

	2017		2016	
	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	**110**	**(110)**	166	(166)
Capital return	**–**	**–**	–	–
Total return after taxation	**110**	**(110)**	166	(166)
Net assets	**110**	**(110)**	166	(166)

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.

Financial

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:

	2017 £'000	2016 £'000
Investments held at fair value through profit or loss	**300,497**	254,114

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 pages 6 and 7. 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% (2016: 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.

	2017		2016	
	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	**(59)**	**59**	(50)	50
Capital return	**29,913**	**(29,913)**	25,296	(25,296)
Total return after taxation and net assets	**29,854**	**(29,854)**	25,246	(25,246)
Percentage change in net asset value	**11.1%**	**(11.1%)**	11.1%	(11.1%)

(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.

Notes to the Accounts

Liquidity risk exposure

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

	2017 Three months or less £'000	2017 Two to three years £'000	2017 Total £'000	2016 Three months or less £'000	2016 Two to three years £'000	2016 Total £'000
Creditors: amounts falling due within one year						
Securities purchased awaiting settlement	**742**	**–**	**742**	370	–	370
Other creditors and accruals	**1,226**	**–**	**1,226**	591	–	591
Creditors: amounts falling due after more than one year						
Term loan – including interest	**–**	**41,694**	**41,694**	–	44,995	44,995
	1,968	**41,694**	**43,662**	961	44,995	45,956

(c) Credit risk

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

Management of credit risk

This risk is not significant and is managed as follows:

Portfolio dealing

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

Exposure to the custodian

The custodian of the Company's assets is HSBC Bank plc which has Long Term Credit Ratings of AA- with Fitch and Aa2 with Moody's. The Company's investments are held in accounts which are segregated from the custodian's own trading assets. If the custodian were to become insolvent, the Company's right of ownership of its investments is clear and they are therefore protected. However the Company's cash balances are all deposited with the custodian as banker and held on the custodian's balance sheet. Accordingly, in accordance with usual banking practice, the Company will rank as a general creditor to the custodian in respect of cash balances.

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.

	2017 Balance sheet £'000	2017 Maximum exposure £'000	2016 Balance sheet £'000	2016 Maximum exposure £'000
Fixed assets				
Investments held at fair value through profit or loss	**300,497**	**–**	254,114	–
Current assets				
Debtors – securities sold awaiting settlement, dividends and interest receivable and other debtors	**949**	**949**	1,077	1,077
Cash at bank and in hand	**11,026**	**11,026**	16,565	16,565
	312,472	**11,975**	271,756	17,642

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:

	2017 £'000	2016 £'000
Debt		
Bank loan	**41,189**	44,095
Equity		
Called-up share capital	**12,501**	12,501
Reserves	**256,803**	214,187
	269,304	226,688
Total debt and equity	**310,493**	270,783

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.

	2017 £'000	2016 £'000
Borrowings used for investment purposes, less cash	**30,163**	27,530
Net assets	**269,304**	226,688
Gearing	**11.2%**	12.1%

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 – Explanation of Special Business

The Annual General Meeting ("AGM") of the Company will be held on Thursday, 2 November 2017 at 2.30 p.m. The formal Notice of Meeting is set out on page 46.

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.

Resolution 8: Directors' authority to allot shares (ordinary resolution) and Resolution 9: power to disapply pre-emption rights (special resolution)

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

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £625,041 (being 5% of the issued share capital as at the date of the Notice of the AGM). A special resolution will also be proposed to give the Directors authority to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £625,041 (being 5% of the Company's issued share capital as at the date of the Notice of the AGM).

The Directors do not intend to allot shares pursuant to these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company's existing shareholders to do so and when it would not result in any dilution of NAV per share.

If approved, both of these authorities will expire at the conclusion of the AGM in 2018 unless renewed, varied or revoked earlier.

Resolution 10: authority to make market purchases of the Company's own shares (special resolution)

At the AGM held on 2 November 2016, the Company was granted authority to make market purchases of up to 18,738,729 ordinary shares of 10p each for cancellation. No shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 18,738,729 ordinary shares. This authority will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at the date of the Notice of the AGM. The Directors will exercise this authority only if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled. If renewed, the authority to be given at the 2017 AGM will lapse at the conclusion of the AGM in 2018 unless renewed, varied or revoked earlier.

Recommendation

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 at 31 Gresham Street, London EC2V 7QA on Thursday, 2 November 2017 at 2.30 p.m. to consider the following resolutions of which resolutions 1 to 8 will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 31 July 2017.

2. To approve a final dividend of 3.50p per share for the year ended 31 July 2017.

3. To approve the Directors' Remuneration Policy.

4. To approve the Directors' Annual Report on Remuneration for the year ended 31 July 2017.

5. To approve the re-election of Jonathan Taylor as a Director of the Company.

6. To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company.

7. To authorise the Directors to determine the remuneration of PricewaterhouseCoopers LLP as Auditors to the Company.

8. To consider, and if thought fit, pass the following resolution as an ordinary resolution:

   "THAT in substitution for all existing authorities the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £625,041 (being 5% of the issued ordinary share capital, excluding shares held in treasury, at the date of this Notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement."

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

   "That, subject to the passing of Resolution 8 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 8 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £625,041 (representing 5% of the aggregate nominal amount of the share capital in issue at the date of this Notice); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."

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

    "THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 10p each in the capital of the Company ("Share") at whatever discount the prevailing market price represents to the prevailing net asset value per Share provided that:

    (a) the maximum number of Shares which may be purchased is 18,738,729, representing 14.99% of the Company's issued ordinary share capital as at the date of this Notice;

    (b) the maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of;

        i) 105% of the average of the middle market quotations for the Shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and

        ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;

    (c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 10p, being the nominal value per Share;

    (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2018 (unless previously renewed, varied or revoked by the Company prior to such date);

    (e) the Company may make a contract to purchase Shares under the authority hereby conferred which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract; and

    (f) any Shares so purchased will be cancelled."

By order of the Board
For and on behalf of
Schroder Investment Management Limited
Registered number: 2930057

5 October 2017

Registered Office:
31 Gresham Street,
London EC2V 7QA

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 2.30 p.m. on 31 October 2017. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 (or +44(0) 121 415 0207 for overseas callers).

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

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

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

2. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

   The statement of the rights of ordinary shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of Members of the Company at 6.30 p.m. on 31 October 2017, 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 31 October 2017 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

Explanatory Notes to the Notice of Meeting

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.

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 biography of the Director offering himself for re-election is set out on page 14 of the Company's Annual Report and Accounts for the year ended 31 July 2017.

7. As at 5 October 2017, 125,008,200 ordinary shares of 10 pence each were in issue (no shares were held in treasury). Therefore the total number of voting rights of the Company as at 5 October 2017 was 125,008,200.

8. A copy of this Notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available from the Company's webpage, 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 AGM 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.

Shareholder Information

Webpage and share price information

The Company has a dedicated webpage, which may be found at www.schroders.co.uk/japangrowth. The webpage has 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 Report and Accounts 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 site contains 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 net asset value 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 webpage.

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	September/October
Final dividend paid	November
Annual General Meeting	November

Alternative Investment Fund Managers ("AIFM") Directive

Certain pre-sale, regular and periodic disclosures required by the AIFM Directive may be found either in this Annual Report or on the website www.schroders.co.uk/its.

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

Preferential treatment of investors

The Company's investors purchase shares on the open market and therefore the Company is not in a position to influence the treatment of investors. No investor receives preferential treatment.

Liquidity risk management

The Company's shares are traded on the London Stock Exchange through market intermediaries. There are no special rights to redemption.

Periodic and regular disclosure under the Directive

(a) none of the Company's assets are subject to special arrangements arising from their illiquid nature;

(b) there are no new arrangements for managing the liquidity of the Company including, but not limited to, any material changes to the liquidity management systems and procedures employed by the Manager in place. Shareholders will be notified immediately where the issue, cancellation, sale and redemption of shares is suspended, when redemptions are suspended or where other similar special arrangements are activated;

(c) the current risk profile of the Company and the risk management systems employed by the Manager to manage those risks can be found in the Strategic Report; and

(d) the total amount of leverage employed by the Company may be found in the AIFM disclosures on the website www.schroders.co.uk/its.

Any changes to the following information will be provided through a regulatory news service without undue delay and in accordance with the Directive:

(a) the maximum level of leverage which the Manager may employ on behalf of the Company; and

(b) the right of re-use of collateral or any changes to any guarantee granted under any leveraging arrangement.

Remuneration disclosures

The information required under the AIFM Directive to be made available to investors in the Company on request in respect of remuneration paid by the AIFM to its staff, and, where relevant, carried interest paid by the Company, can be found on the website www.schroders.co.uk/its.

www.schroders.co.uk/japangrowth

Advisers

Alternative Investment Fund Manager (the "Manager")

Schroder Unit Trusts Limited
31 Gresham Street
London EC2V 7QA

Investment Manager and Company Secretary

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA
Telephone: 020 7658 3847

Registered Office

31 Gresham Street
London EC2V 7QA

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lending Bank

Scotiabank Europe PLC
201 Bishopsgate
6th Floor
London EC2M 3NS

Registrars

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 Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Corporate Broker

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London EC2R 7AS

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Shareholder enquiries

General enquiries about the Company should be addressed to the Company Secretary at the Company's Registered Office.

Dealing Codes

ISIN: GB0008022849
SEDOL: 0802284
Ticker: SJG

Global Intermediary Identification Number (GIIN)

7T0909.99999.SL.826

Legal Entity Identifier (LEI)

549300SSPK3AXNJOC673

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