Schroders

Schroder Japan Growth Fund plc

Half Year Report and Accounts for the six months ended 31 January 2022

Investment objective

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

Investment policy

The Manager utilises an active stock driven investment approach, drawing on Schroders' extensive research resources in Japan. The portfolio is principally invested in a broad range of companies quoted on the Tokyo Stock Exchange, the regional stock markets of Fukuoka, Hiroshima, Kyoto, Nagoya, Niigata, Osaka and Sapporo and the Japanese over the counter (OTC) market. Investments may also be made in companies listed elsewhere but controlled from Japan or with a material exposure to the Japanese economy. There are no constraints on size of company or sector allocation. This flexibility will allow the Manager to take advantage of changes in market sentiment and in the domestic economic cycle as it develops.

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

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Financial Highlights

Total returns for the six months ended 31 January 2022[1]

Net asset value ("NAV") per share[2]

Share price[2]

Benchmark[3]

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

[2]Source: Morningstar.

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

Other financial information

	31 January 2022	31 July 2021	% change
Shareholders' funds (£'000)	**281,515**	283,859	(0.8)
Shares in issue	**122,075,562**	122,143,262	(0.1)
NAV per share (pence)	**230.61**	232.40	(0.8)
Share price (pence)	**204.00**	210.00	(2.9)
Share price discount to NAV per share (%)	**11.5**	9.6	
Gearing (%)[1]	**11.2**	10.4	

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

Interim Management Report – Chairman's Statement

Performance

I am pleased to report that during the six-month period to 31 January 2022 the Company produced a net asset value ("NAV") total return of +1.0%, outperforming the Benchmark Index which returned a negative 0.6%.

The share price total return produced a negative 1.0%, as the discount widened over the period from 9.6% to 11.5%.

While the performance of the portfolio during the period in absolute terms was modest, relative performance, both against the Benchmark and especially against the peer group, was significantly improved. Our portfolio manager has continued to focus on his bottom-up stock selection approach with a strong emphasis on valuation. He has also reduced the number of holdings in the portfolio to focus more on his conviction ideas, and the Board is pleased that this is being reflected in the improved performance.

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

Discount management

The share buyback authority was utilised in the six months to 31 January 2022 as the Board believes that when shares trade at wider discount levels, buybacks help to create excess return for shareholders and to improve liquidity. Subsequently, 67,700 shares were bought back at a discount of 11.9%. By the end of the period, the discount had narrowed slightly to 11.5%.

Gearing

The Company's term loan remained fully utilised whilst the revolving credit facility was undrawn. The average gearing during the six months to 31 January 2022 was 10.4% and as at 26 April, the gearing was 11.5%. The Company will continue to use leverage.

Board Succession

In March the Company announced that Dr Philip Kay had been appointed as Chair Designate and would succeed me as Chairman. The Company also announced the appointment of Helena Coles as an independent non-executive Director.

My colleagues and I are delighted to welcome Philip and Helena to the Board. Their appointments are in line with the Board's agreed succession plans. This was outlined in the annual report which involved an extensive independent search over the last few months. The Board believes that it is important to promote regular refreshment and diversity, whilst maintaining stability and continuity of skills and knowledge on the Board.

The Board acknowledges the importance for appropriate new skills to be brought to the Board and will continue to look to refresh the Board over time. All Directors will continue to be subject to re-election each year at the AGM and will not serve for a period of more than nine years unless in exceptional circumstances.

Outlook

Our portfolio manager's bottom-up valuation sensitive approach to investment and his higher conviction approach, stands to benefit from the structural and company specific drivers for the Japanese equity market outlined in the Manager's review, especially the focus from Japanese companies on shareholder returns and sustainable improvements on return on equity. We believe that the Company's portfolio is currently well placed to drive relative future returns in view of the existing uncertainty in global markets.

Anja Balfour
Chairman

27 April 2022

Interim Management Report – Manager's Review

Market background

The Japanese market rose sharply in August 2021, but these gains gradually ebbed away before a sharper decline in January 2022 left the market return at just 0.7%, in local currency, for the period as a whole. There were competing forces on the Japanese yen, which traded in a wide band against sterling before ultimately ending the period weaker. As a result, the total market return in sterling was pushed down to -0.6%.

Equity market sentiment in the early part of this period was dominated by the worldwide increase in Covid infections, particularly driven by new variants. Throughout the pandemic, Japan has consistently seen a lower infection rate than most developed countries but faced a much more serious test during summer 2021 as infections picked up rapidly towards 10,000 per day nationwide. Of course, given the size of the population, this remained well below the levels seen in many developed countries but nevertheless led to growing public anxiety.

While we had been somewhat surprised by the re-imposition of the state of emergency in early July, and the banning of all spectators from most Olympic events, the subsequent decisions to extend restrictions throughout August and September seemed rather more inevitable. This led to near-term recovery expectations being pushed out, but real-time mobility data had already been suggesting diminishing real impacts from each successive state of emergency. Public opposition towards the government's approach ratcheted up again and the approval rate for Prime Minister Suga and his cabinet fell to the lowest levels seen since he took office in September 2020.

On 3 September 2021, the Prime Minister announced his intention to resign without contesting the LDP leadership election scheduled for later that month. This surprise decision inevitably led to some short-term political uncertainty before four candidates subsequently emerged to contest the leadership election, which was held as planned on 29 September. Although Mr Kono carried the popular vote in the first round, the election rules for the second-round voting place more emphasis on the support of party factions, ensuring that Mr Kishida ultimately emerged victorious.

As LDP party leader Mr Kishida became Japan's 100th prime minister and moved quickly to form his new cabinet from 4 October. An establishment politician within the LDP, Mr Kishida is essentially a safe, if unexciting, choice to guide Japan through the next stage of its post-Covid recovery. Mr Kishida also inherited a stronger position in the vaccination programme which sustained strong momentum in the second half of 2021 after the very slow start.

Under Mr Kishida's leadership, the expectations for the LDP's performance in the subsequent general election in October were modest at best, with the party bracing itself to lose up to 40 seats. In the event the LDP lost only 15 seats and retained a solid majority in its own right. Together with seats gained by its partners, the ruling coalition retained majorities on all standing committees and therefore complete legislative control.

With the election out of the way, and the Covid-related state of emergency lifted, the political focus shifted to a substantial fiscal stimulus package, details of which became clearer in November. The government is making a significant effort to reinforce the potential recovery in the domestic economy in 2022 and, within the stimulus package, there is a particular focus on boosting consumption by giving direct cash handouts. Although the timing of the package was not a surprise, the actual content has been influenced somewhat by the change in prime minister and the strength of the LDP's victory in the general election. In this respect, we could also see further measures later in 2022 aimed at reducing income inequality as this is one of Prime Minister Kishida's own policy ambitions. But none of this changes the basic policy outlook for Japan, with very accommodative monetary and fiscal policy continuing for at least the next couple of years.

From late November, renewed short-term uncertainty over the new Covid variant temporarily obscured signs of an increasingly positive outlook for Japan. Most news flow affecting the market concerned global efforts to contain the Omicron variant, together with the comments from the US Federal Reserve (Fed) on policy tapering. Japan inevitably imported its first known case of Omicron in December, followed by a sharp pick-up in infections in January. While we must continue to emphasise that the absolute number of infections in Japan has remained remarkably low throughout the pandemic, the latest variant has again demonstrated a higher level of risk aversion. The government has avoided re-imposing the full state of emergency which persisted for much of 2021, but Japan's borders remained closed to foreigners through the end of the review period. The overall impact of Omicron has been to push out further the expectations for a full recovery of Japan's domestic economy. As a result, consumer confidence surveys and high frequency mobility data suggested a relatively weak start to 2022 but we still regarded this as a temporary hiatus rather than a significant change in trend.

Moving into 2022, the tone for the equity market in January was set by the release of the minutes from the US Federal Reserve meeting, and the associated change in expectations for US interest rates. Although this had a negative impact on sentiment in Japan, especially in the second half of January, such a move is still very unlikely to be followed by the Bank of Japan in the foreseeable

future. Meanwhile, Japanese inflation remains very subdued although a temporary increase close to the Bank of Japan's 2% target is possible as one-off factors drop out and the full impact of higher energy prices is felt. The primary factor depressing Japan's inflation is the very low level of wage increases in Japan, without which we are unlikely to see the type of upward spike in inflation that is underway elsewhere. Nevertheless, when looking at investment opportunities we are considering a range of potential scenarios for input prices and future wage inflation, given the difficulty some Japanese companies may have in raising final product prices.

Since the end of the reporting period, the Russian invasion of Ukraine has significantly increased the level of uncertainty for global stock markets, although this may seem trivial compared to the scale of human suffering in Ukraine itself. Despite the geographical proximity, Russia is a relatively small trading partner for Japan, accounting for around 1% of exports and 2% of imports. The balance is skewed by the import of energy from Russia, especially LNG, while exports from Japan are predominantly in auto-related areas. The crisis in Ukraine implies that energy prices will inevitably remain higher for longer than previously anticipated. As a result, we could see the temporary rise in inflation happening slightly earlier than previously expected. This may also provide a boost to long-term inflationary expectations in Japan over coming months, but we still see structural issues in Japan limiting the potential for a more significant upward spike in inflation on a similar scale to that seen elsewhere.

The Company's NAV total return produced a positive 1.0% over the six months, while the Benchmark declined by 0.6%.

With market returns almost flat for the period, there was no impact from the Company's gearing, and the positive contributions to relative performance came mainly from individual stocks.

The change in outlook for US interest rates helped to accelerate a change in market dynamics in Japan, which was evident in the outperformance of value-style factors. Although this provided some underlying support for the Company, market leadership early in 2022 was concentrated in financial-related stocks.

This is also clear from the portfolio's individual stock attribution, with positive contributions from Tokio Marine Holdings and T&D Holdings, both of which are major insurance companies. Some of these gains were offset by negative contributions from large-cap stocks that are not held in the portfolio, including Sony, the electronic and entertainment conglomerate, and Mitsubishi UFJ Financial Group, a major bank.

Stock selection attribution – 6 months to 31 January 2022

Largest positive contributions to performance

Security	Company Fund (%)	Load difference (%)	Absolute return (%)	Impact
Tokio Marine	2.7	2.0	31.6	0.6
Soft Bank Group	0.0	-1.5	-27.5	0.5
ORIX	2.1	1.6	23.5	0.3
T&D Holdings	1.6	1.5	21.0	0.3
Seven & i Holdings	2.5	1.8	14.4	0.3
Total				**2.1**

Largest positive contributions to performance

Security	Company Fund (%)	Load difference (%)	Absolute return (%)	Impact
Sony Group	0.0	-3.0	10.6	-0.3
Mitsubishi UFJ Fin	0.0	-1.5	19.9	-0.3
WingArc1st	0.8	0.8	-37.7	-0.3
Pan Pacific	0.8	0.6	-30.3	-0.2
Tokyo Electron	0.0	-1.2	21.5	-0.2
Total				**-1.3**

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

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

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

Activity

Our research team has continued to focus on individual stock ideas where we can identify company-specific drivers for future performance.

We initiated one new position in Rohm, an electronic component supplier specialising in Semiconductor devices and LSI chips. Our investment thesis is focused on the potential for revaluation resulting from the management efforts. Although the company has strong technology, it has struggled to expand its customer base and accelerate revenue growth in recent years. However, in the latest mid-term plan from the new management team, and through a series of meetings with the company, we found various positive changes, especially in their sales and marketing approach, as well as product development, that could help the company to expand their addressable market. This should result in improved revenue and profit growth and result in the revaluation of the stock.

Interim Management Report – Manager's Review

A new position was also added in Yokogawa Electric, which supplies measurement and control equipment mainly for the Oil & Gas and Petrochemical industries. We view the company as an undervalued Small/Mid-cap with a strong business franchise. Despite their strong presence with some resource majors such as Shell, the stock looks particularly undervalued against its global peers given the near-term industry dynamics, in which major resource companies are increasing utilization of their existing capacity which directly increases the demand for Yokogawa equipment. In addition, we believe that Yokogawa has a longer-term growth potential from expanding autonomous solutions for its customers.

We also initiated a holding in Ricoh. Our investment thesis is centred on the revaluation through management efforts as they transform the company from a simple copier/printer vendor to a full IT service vendor for small and mid-sized businesses. This requires the management to completely rebuild the organisational structure including the retraining of employees and the introduction of a new performance appraisal system. The valuation for this stock had been pushed down by shorter term factors, including a slower than expected return to office working post Covid, which created an attractive entry point.

Conversely, we sold Metawater as our long-term positive view of the company's position as a platform business within the privatised water industry had deteriorated. The higher cost of acquiring new business, and the longer timescale needed to reach an economic scale led us to exit the position. A smaller position in Miroku Jyoho Service was also sold. The company is a software and IT service provider which we had expected to benefit from the growth in IT spending by small/mid-size businesses. However, the earnings recovery has been slower than expected, which may reflect some market share losses against emerging cloud-based vendors. We now have lower confidence about their competitiveness and management execution, so we have sold out of the position.

We also sold out of Mandom Corporation. The company primarily supplies men's grooming products, but new products have less positive impact on their earnings growth than expected, partly because of the prolonged impact of Covid-19. However, this stock may remain a candidate for future investment, depending on future product developments as well as their new business plan.

Outlook

Although conflict in Europe may restrict overall equity valuations, we are yet to see any real negative impact on earnings forecasts for the vast majority of the Japanese market. Of course, this could change if costs are pushed up by a prolonged period of higher energy prices.

Looking forward, on an individual stock basis, we are particularly focused on the ability of Japanese companies to re-establish pricing power in order to protect margins after such a long deflationary period. The interplay between higher commodity prices, productivity gains and potential wage increases varies across sectors but, in general, we are comfortable that aggregate corporate profits for the listed sector continue to grow into fiscal 2022. The most recent set of quarterly earnings announcements provided support for this view, with a continuation of the positive skew seen throughout this fiscal year. In the immediate future, however, the heightened uncertainty may mean that relative market valuations remain at a significant discount against this longer-term positive outlook for corporate profits.

There has inevitably been less focus in recent weeks on the pandemic-related news and the forthcoming recovery of the domestic economy. Japan has seen its Omicron wave peak later, and slower, than many other developed markets but an easing of the remaining domestic restrictions remains on the horizon. Overall, however, the high level of risk aversion in Japan will continue to dictate a more cautious approach than seen in Europe and this is likely to be particularly evident in the very gradual approach to the reopening of borders to foreign travellers.

Overall, although Prime Minister Kishida's position remains relatively comfortable, the global and domestic events in February have further narrowed the window of opportunity for him to engineer a full recovery of domestic consumption ahead of the Upper House elections in July.

Investment Strategy and Positioning

The change in market leadership in recent months has created a more comfortable environment for the Company and we continue to build the portfolio around stock-specific drivers, rather than macroeconomic or cyclical factors. The number of holdings in the portfolio has been gradually reduced over the last two years, which has helped to improve the focus on the highest conviction ideas within our research. This process is ongoing and the portfolio is likely to move towards 60 positions or fewer. We do not currently expect events in Ukraine to necessitate any specific changes in strategy, although we will keep a close watch on input costs for Japanese companies, especially for energy.

The initial outperformance of small cap stocks in early 2022 is also encouraging as the Company is overweight in this area and we continue to see exciting opportunities in individual stocks.

The portfolio remains underweight in the electric appliance sector, although this is balanced by the overweight positions in some specific stocks in other

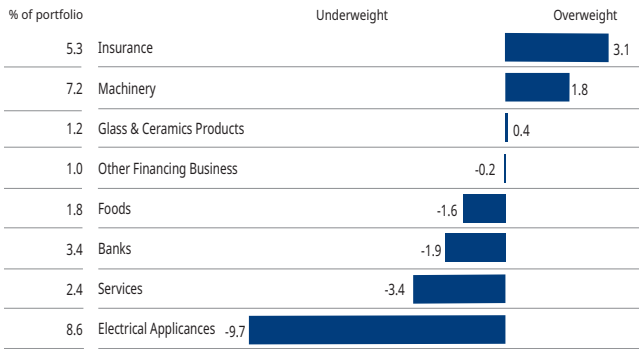
sectors that have similar underlying drivers. The Company is neutrally weighted in financials overall but, within this, we have a strong preference for insurance and leasing companies, while underweighting banks.

Gearing at the end of January 2022 was 11.2%.

The Company has typically maintained gearing between 10 and 15%. Given our long-term expectations for the revaluation of the Japanese equity market, we believe a gearing level of at least 10% through the market cycle remains appropriate. Going forward, however, the Company is likely to take slightly higher tactical positions, primarily through additional small cap exposure, which could extend the gearing to around 17.5%.

Active sector positions – as at 31 January 2022

Overweight/underweight positions %



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

Although Japan's economy should be able to deliver above-trend rate in 2022, we do not expect any step-change in Japan's long-term growth rate. Instead, we anticipate that Japan's relative undervaluation will be narrowed through better corporate governance, leading to sustainable improvements in Return-on-Equity. The most pervasive element for this change is the stronger pressure being applied to company managements from institutional investors to improve capital allocation and ultimately deliver better shareholder remuneration. We expect these factors to have a strong positive influence on the Company.

Schroder Investment Management Limited

27 April 2022

Interim Management Report

Investment Portfolio as at 31 January 2022

Stocks in bold are the 20 largest investments, which by value account for 51.0% (31 July 2021: 50.3% and 31 January 2021: 48.6%) of total investments.

	£'000	%
Transportation Equipment		
Toyota Motor	**18,912**	**6.0**
Toyota Industries	4,278	1.4
Yamaha	3,279	1.1
Isuzu Motors	3,205	1.0
Total Transportation Equipment	**29,674**	**9.5**
Electrical Appliances		
Hitachi	**9,297**	**3.0**
Ibiden	**5,119**	**1.6**
TDK	3,857	1.2
Ricoh	3,211	1.0
Koito Manufacturing	2,880	0.9
Yokogawa Electric	2,669	0.9
Total Electrical Appliances	**27,033**	**8.6**
Chemicals		
Kureha Chemical	4,515	1.5
Sekisui Chemical	4,112	1.3
Nippon Soda	3,897	1.2
NOF	3,492	1.1
Hosokawa Micron	3,400	1.1
Nitto Denko	2,613	0.8
Aica Kogyo	2,488	0.8
SK Kaken	454	0.1
Total Chemicals	**24,971**	**7.9**
Precision Instruments		
Hoya	**7,175**	**2.3**
SMC	**5,577**	**1.8**
Murata	**5,285**	**1.7**
Rohm	4,532	1.4
Mimasu Semiconductors	1,603	0.5
Total Precision Instruments	**24,172**	**7.7**
Information and Communication		
Nippon Telegraph and Telephone	**10,917**	**3.5**
KDDI	**6,449**	**2.1**
Otsuka	2,959	0.9
Digital Garage	2,590	0.8
Total Information and Communication	**22,915**	**7.3**

	£'000	%
Machinery		
Amada	4,779	1.5
Disco	4,640	1.5
Nichias	4,556	1.5
NGK Spark Plug	3,575	1.1
Nabtesco	2,783	0.9
Rheon Automatic Machinery	1,510	0.5
Kohoku Kogyo	561	0.2
Total Machinery	**22,404**	**7.2**
Wholesale trade		
Mitsui & Co.	**7,500**	**2.4**
Itochu	**5,881**	**1.9**
Trusco Nakayama	3,587	1.1
Fukushima Galilei	3,198	1.0
Total Wholesale Trade	**20,166**	**6.4**
Insurance		
Tokio Marine	**10,307**	**3.3**
T&D Holdings	**6,186**	**2.0**
Total Insurance	**16,493**	**5.3**
Pharmaceutical		
Astellas Pharmaceutical	**7,104**	**2.3**
Takeda Pharmaceutical	4,687	1.5
Ship Healthcare	3,546	1.1
Total Pharmaceutical	**15,337**	**4.9**
Retail Trade		
Seven & i Holdings	**9,760**	**3.1**
Paltac	3,213	1.0
AT Group	413	0.1
Total Retail Trade	**13,386**	**4.2**

Interim Management Report

Investment Portfolio as at 31 January 2022

	£'000	%
Securities and Commodity		
ORIX	**7,446**	**2.4**
Nomura Research Institute	3,646	1.2
Total Securities and Commodity	**11,092**	**3.6**
Banks		
Sumitomo Mitsui Financial	**10,663**	**3.4**
Total Banks	**10,663**	**3.4**
Real Estate		
Mitsui Fudosan	**6,621**	**2.1**
Park24	2,685	0.9
Total Real Estate	**9,306**	**3.0**
Land Transportation		
Sankyu	3,310	1.1
East Japan Railway	2,822	0.9
Hitachi Transport System	2,619	0.8
Total Land Transportation	**8,751**	**2.8**
Other Products		
Bandai Namco	4,205	1.4
Toho	3,577	1.1
Total Other Products	**7,782**	**2.5**
Services		
Recruit Holdings	**7,541**	**2.4**
Total Services	**7,541**	**2.4**
Construction		
Sanki Engineering	2,991	1.0
Daito Trust Construction	2,125	0.7
Nippon Densetsu Kogyo	2,036	0.6
Total Construction	**7,152**	**2.3**
Rubber Products		
Bridgestone	**6,059**	**1.9**
Total Rubber Products	**6,059**	**1.9**
Foods		
Asahi Breweries	**5,654**	**1.8**
Total Foods	**5,654**	**1.8**
Technology		
Yokowo	3,173	1.0
WingArc1st	1,415	0.5
Total Technology	**4,588**	**1.5**
Oil and Coal products		
Eneos	3,963	1.3
Total Oil and Coal products	**3,963**	**1.3**

	£'000	%
Non-Ferrous Metals		
Asahi Holdings	3,826	1.2
Total Non-Ferrous Metals	**3,826**	**1.2**
Glass and Ceramics		
AGC	3,596	1.2
Total Glass and Ceramics	**3,596**	**1.2**
Electric Power and Gas		
Nippon Gas	3,557	1.1
Total Electric Power and Gas	**3,557**	**1.1**
Other Financing Business		
AEON Financial Services	3,199	1.0
Total Other Financing Business	**3,199**	**1.0**
Total investments	**313,280**	**100.0**

Interim Management Report

Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following risk categories: strategic; investment management; financial and currency; custody; gearing and leverage; accounting, legal and regulatory; service provider; and cyber. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 17 and 18 of the Company's published annual report and accounts for the year ended 31 July 2021.

The Board has considered the Company's principal risks and uncertainties and considers that the Company's existing principal risks and uncertainties are sufficiently comprehensive.

The Company's principal risks and uncertainties have not materially changed during the six months ended 31 January 2022.

Going concern

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 17 of the published annual report and accounts for the year ended 31 July 2021, the Directors consider it appropriate to adopt the going concern basis in preparing the accounts.

Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 31 January 2022.

Directors' responsibility statement

The Directors confirm that, to the best of their knowledge, this set of condensed financial statements has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and, in particular with Financial Reporting Standard 104 "Interim Financial Reporting" with the Statement of Recommended Practice, "Financial Statements of Investment Companies and Venture Capital Trusts" issued in April 2021 and that this Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Income Statement

for the six months ended 31 January 2022 (unaudited)

	(Unaudited) For the six months ended 31 January 2022			(Unaudited) For the six months ended 31 January 2021			(Audited) For the year ended 31 July 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	**–**	**534**	**534**	–	43,166	43,166	–	52,170	52,170
Net foreign currency gains	**–**	**465**	**465**	–	1,134	1,134	–	3,073	3,073
Income from investments	**3,921**	**–**	**3,921**	3,477	–	3,477	7,308	–	7,308
Gross return	**3,921**	**999**	**4,920**	3,477	44,300	47,777	7,308	55,243	62,551
Investment management fee	**(308)**	**(718)**	**(1,026)**	(285)	(665)	(950)	(580)	(1,354)	(1,934)
Administrative expenses	**(319)**	**–**	**(319)**	(267)	–	(267)	(516)	–	(516)
Net return before finance costs and taxation	**3,294**	**281**	**3,575**	2,925	43,635	46,560	6,212	53,889	60,101
Finance costs	**(37)**	**(87)**	**(124)**	(42)	(97)	(139)	(80)	(186)	(266)
Net return before taxation	**3,257**	**194**	**3,451**	2,883	43,538	46,421	6,132	53,703	59,835
Taxation (note 3)	**(392)**	**–**	**(392)**	(348)	–	(348)	(731)	–	(731)
Net return after taxation	**2,865**	**194**	**3,059**	2,535	43,538	46,073	5,401	53,703	59,104
Return per share (note 4)	**2.35p**	**0.16p**	**2.51p**	2.04p	35.02p	37.06p	4.38p	43.55p	47.93p

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

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

Statement of Changes in Equity

For the six months ended 31 January 2022 (unaudited)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2021	12,214	7	287	3	91,540	173,298	6,510	283,859
Repurchase of the Company's own shares for cancellation	(7)	–	7	–	(154)	–	–	(154)
Net return after taxation	–	–	–	–	–	194	2,865	3,059
Dividend paid in the period (note 5)	–	–	–	–	–	–	(5,249)	(5,249)
At 31 January 2021	**12,207**	**7**	**294**	**3**	**91,386**	**173,492**	**4,126**	**281,515**

For the six months ended 31 January 2021 (unaudited)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2020	12,478	7	23	3	96,807	119,595	7,215	236,128
Repurchase of the Company's own shares for cancellation	(165)	–	165	–	(3,231)	–	–	(3,231)
Net return after taxation	–	–	–	–	–	43,538	2,535	46,073
Dividend paid in the period (note 5)	–	–	–	–	–	–	(6,106)	(6,106)
At 31 January 2021	**12,313**	**7**	**188**	**3**	**93,576**	**163,133**	**3,644**	**272,864**

For the year ended 31 July 2021 (audited)

	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2020	12,478	7	23	3	96,807	119,595	7,215	236,128
Repurchase of the Company's own shares for cancellation	(264)	–	264	–	(5,267)	–	–	(5,267)
Net return after taxation	–	–	–	–	–	53,703	5,401	59,104
Dividend paid in the year (note 5)	–	–	–	–	–	–	(6,106)	(6,106)
At 31 July 2020	**12,214**	**7**	**287**	**3**	**91,540**	**173,298**	**6,510**	**283,859**

Statement of Financial Position at 31 January 2022 (unaudited)

	(Unaudited) At 31 January 2022 £'000	(Unaudited) At 31 January 2021 £'000	(Audited) At 31 July 2021 £'000
Fixed assets			
Investments held at fair value through profit or loss	**313,280**	305,102	313,907
Current assets			
Debtors	**958**	1,747	1,003
Cash at bank and in hand	**7,263**	9,668	9,774
	8,221	11,415	10,777
Current liabilities			
Creditors: amounts falling due within one year (note 6)	**(1,174)**	(43,653)	(40,825)
Net current assets/(liabilities)	**7,047**	(32,238)	(30,048)
Total assets less current liabilities	**320,327**	272,864	283,859
Creditors: amounts falling due after more than one year (note 7)	**(38,812)**	–	–
Net assets	**281,515**	272,864	283,859
Capital and reserves			
Called-up share capital (note 8)	**12,207**	12,313	12,214
Share premium	**7**	7	7
Capital redemption reserve	**294**	188	287
Warrant exercise reserve	**3**	3	3
Share purchase reserve	**91,386**	93,576	91,540
Capital reserves	**173,492**	163,133	173,298
Revenue reserve	**4,126**	3,644	6,510
Total equity shareholders' funds	**281,515**	272,864	283,859
Net asset value per share (note 8)	**230.61p**	221.61p	232.40p

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

Company Registration Number: 02930057

Notes to the Accounts

1. Financial statements

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

The figures and financial information for the year ended 31 July 2021 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

Basis of accounting

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the Statement of Recommend Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies in April 2021.

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

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 July 2021.

3. Taxation on ordinary activities

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

4. Return per share

	(Unaudited) Six months ended 31 January 2022 £'000	(Unaudited) Six months ended 31 January 2021 £'000	(Audited) Year ended 31 July 2021 £'000
Revenue return	**2,865**	2,535	5,401
Capital return	**194**	43,538	53,703
Total return	**3,059**	46,073	59,104
Weighted average number of shares in issue during the period	**122,089,911**	124,307,203	123,317,478
Revenue return per share	**2.35p**	2.04p	4.38p
Capital return per share	**0.16p**	35.02p	43.55p
Total return per share	**2.51p**	37.06p	47.93p

Notes to the Accounts

5. Dividends paid

	(Unaudited) Six months ended 31 January 2022 £'000	(Unaudited) Six months ended 31 January 2021 £'000	(Audited) Year ended 31 July 2021 £'000
2021 final dividend paid of 4.3p (2020: 4.9p)	**5,249**	6,106	6,106

No interim dividend has been declared in respect of the year ending 31 July 2022 (2021: nil).

6. Creditors: amounts falling due within one year

	(Unaudited) 31 January 2022 £'000	(Unaudited) 31 January 2021 £'000	(Audited) 31 July 2021 £'000
Bank loan	**–**	41,734	39,321
Securities purchased awaiting settlement	**479**	1,300	859
Other creditors and accruals	**695**	619	645
	1,174	43,653	40,825

The bank loan was a yen 6.0 billion three-year term loan from Sumitomo Mitsui banking Corporation carrying a fixed interest rate of 0.64% per annum. This loan expired in January 2022 and was replaced by a new loan detailed in note 7 below.

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

	(Unaudited) 31 January 2022 £'000	(Unaudited) 31 January 2021 £'000	(Audited) 31 July 2021 £'000
Bank loan	**38,812**	–	–

The bank loan is a yen 6.0 billion three-year term loan from Sumitomo Mitsui banking Corporation, expiring in January 2025 and carrying a floating interest rate, calculated at the daily Compounded Risk Free Rate, plus a margin.

8. Called-up share capital

	(Unaudited) Six months ended 31 January 2022 £'000	(Unaudited) Six months ended 31 January 2021 £'000	(Audited) Year ended 31 July 2021 £'000
Opening balance of ordinary shares of 10p each	**12,214**	12,478	12,478
Repurchase and cancellation of shares	**(7)**	(165)	(264)
Closing balance of ordinary shares of 10p each	**12,207**	12,313	12,214

Notes to the Accounts

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

	(Unaudited) Six months ended 31 January 2022	(Unaudited) Six months ended 31 January 2021	(Audited) Year ended 31 July 2021
Ordinary shares of 10p each, allotted, called-up and fully paid			
Opening balance of shares in issue	**122,143,262**	124,776,700	124,776,700
Repurchase and cancellation of shares	**(67,700)**	(1,646,878)	(2,633,438)
Closing balance of shares in issue	**122,075,562**	123,129,822	122,143,262

9. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue of 122,075,562 (31 January 2021: 123,129,822 and 31 July 2021: 122,143,262).

10. Financial instruments measured at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio. At 31 January 2022, all investments in the Company's portfolio were categorised as Level 1 in accordance with the criteria set out in paragraph 34.22 (amended) of FRS 102. That is, they are all valued using unadjusted quoted prices in active markets for identical assets (31 January 2021 and 31 July 2021: same).

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

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

Notes

www.schroders.co.uk/japangrowth

Directors

Anja Balfour (Chairman)
Alan Gibbs
Angus Macpherson
Belinda Richards

Advisers

Alternative Investment Fund Manager ("Manager")

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Investment manager and company secretary

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*Calls to this number are free of charge from UK landlines.

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at the address above.

Shareholder enquiries

General enquiries about the Company should be addressed to the Company Secretary at the address set out above.

Dealing codes

ISIN Number: GB0008022849
SEDOL Number: 0802284
Ticker: SJG

Global Intermediary Identification Number (GIIN)

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Legal Entity Identifier (LEI)

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