

Schroders



Schroder Japan Trust plc






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October 2023

Marketing material.

Schroder Japan Trust plc

Key Features

-  Bottom-up, driven by in-house fundamental research
-  Long-term time horizon, around 60 - 70 holdings, with low turnover
-  Portfolio construction typically results in tilts to value and contrarian style
-  Typically overweight in small cap
-  Gearing range typically 10 - 17.5%

Source: Schroders, as at 30 September 2023

Schroder Japan Trust plc

Key Features

Opportunity sets: We typically identify performance drivers from three broad categories:-

“Market Misperception”

Companies with improving growth prospects through management effort, which are underestimated by other investors

“Market Oversight”

Undervalued companies, especially among small and mid caps, with strong and defendable business franchises in niche product areas

“Short-term Overreaction”

Ideas arising from abrupt but transitory events which push valuations of quality companies to unsustainably low levels

The balance of the portfolio can be considered as **“Best in Class”**

Schroder Japan Trust plc

Portfolio Strategy

Overweight



"Market Misperception"

Revaluation through management effort

Hitachi, Seven & i, Toyota Motor, and Rohm, etc.

- Sustainable improvements in ROE from management self-help efforts (restructuring, M&A, capital reallocation, etc.)
- Valuations not yet reflecting structural return improvements

"Market Oversight"

Undervalued Small/Mid-caps with strong business franchise

Fukushima Galilei, Hosokawa Micron, and Kohoku Kogyo, etc.

- Having a highly competitive business
- Valuation discount against the large-cap & global peers often as a result of limited sell-side coverage

"Short-term overreaction"

Beneficiaries of structural tailwinds

NRI, Recruit, and etc.

- DX (NRI) and Recruiting automation (Recruit)
- Mindful about a risk of excessive valuations

Underweight



Stocks lacking company-specific drivers

- Profits & valuations highly dependent on macro conditions, commodity prices, etc.
- Iron & Steel, Chemicals, Non-ferrous metals, etc.

Most of "TSE MOTHERS" stocks

- Hyper growth but hyper valuations
- Unproven track record & business model with "theme"-driven investment thesis

Casualties from structural headwinds

- Regional banks due to overbanking in domestic market
- Food due to limited volume growth in domestic market with consistent deflationary pressure

Source: Schroders, as at 30 September 2023. The securities/sectors shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Schroders



Schroder Japan Trust plc performance

Schroder Japan Trust plc - performance

As at 30 September 2023

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

Fund size: £343.2m

Benchmark: Tokyo Stock Exchange Price Index (TOPIX) (Total Return)

Net gearing: 9.8%

Number of holdings: 66

Returns in GBP	3 months (%)	YTD 2023 (%)	1 year (%)	3 year (%p.a.)	5 year (%p.a.)	Since inception (%p.a.)*
Schroder Japan Trust plc	+5.4	+12.6	+18.8	+9.7	+3.8	+4.0
TOPIX Total Return	+3.4	+9.5	+15.1	+4.8	+3.3	+2.2
Relative	+2.0	+3.1	+3.7	+4.9	+0.5	+1.8

Source: Schroders, Morningstar, cum-income NAV with dividends reinvested, net of fees. *Inception date 11 July 1994 . The fund holds investments denominated in currencies other than sterling, changes in exchange rates will cause the value of these investments, and the income from them, to rise or fall.

Schroder Japan Trust plc

Returns in GBP	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)
Schroder Japan Trust Plc	+21.5	-8.2	+5.7	+32.9	+7.0	+17.9	+23.0	+16.1	-12.7	+13.6	+3.8	+6.4	+1
TSE 1st Section Index (TOPIX)	+19.5	-11.9	+2.8	+24.6	+2.7	+18.2	+23.4	+15.6	-8.4	+14.6	+9.5	+2.0	-4.1
Relative	+2.0	+3.7	+2.9	+8.3	+4.3	-0.3	-0.4	+0.5	-4.3	-1.0	-5.7	+4.4	+4.2

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

– Schroder Japan Trust plc – Risk Considerations:

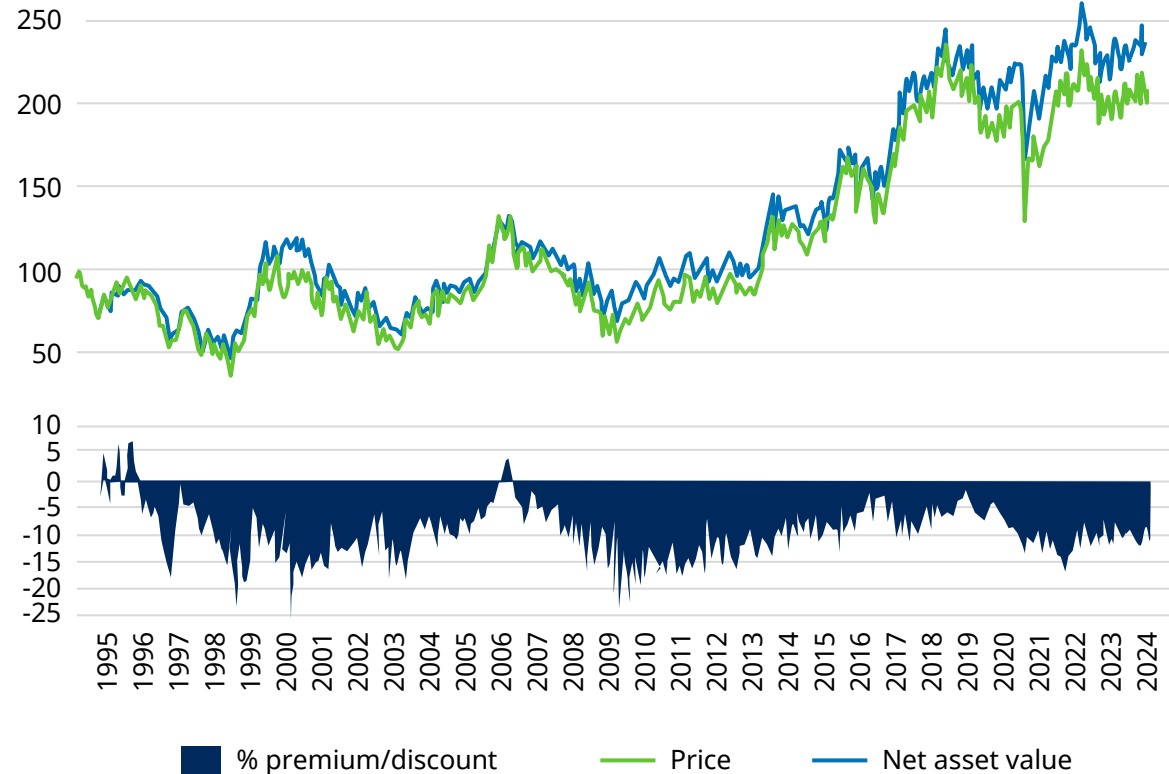
- **Concentration risk:** The fund may be concentrated in a limited number of geographical regions, industry sectors, markets and/or individual positions. This may result in large changes in the value of the fund, both up or down.
- **Currency risk:** The fund may lose value as a result of movements in foreign exchange rates.
- **Performance risk:** Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult to achieve.
- **Liquidity risk:** In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares.
- **Operational risk:** Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.
- **Performance risk:** Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult to achieve.
- **IBOR:** The transition of the financial markets away from the use of interbank offered rates (IBORs) to alternative reference rates may impact the valuation of certain holdings and disrupt liquidity in certain instruments. This may impact the investment performance of the fund.
- **Derivatives risk:** A derivative may not perform as expected, may create losses greater than the cost of the derivative and may result in losses to the fund. The fund may also materially invest in derivatives including using short selling and leverage techniques with the aim of making a return. When the value of an asset changes, the value of a derivative based on that asset may change to a much greater extent. This may result in greater losses than investing in the underlying asset.

Source: Schroders, Morningstar, cum-income NAV with dividends reinvested, net of fees. The fund holds investments denominated in currencies other than sterling, changes in exchange rates will cause the value of these investments, and the income from them, to rise or fall.

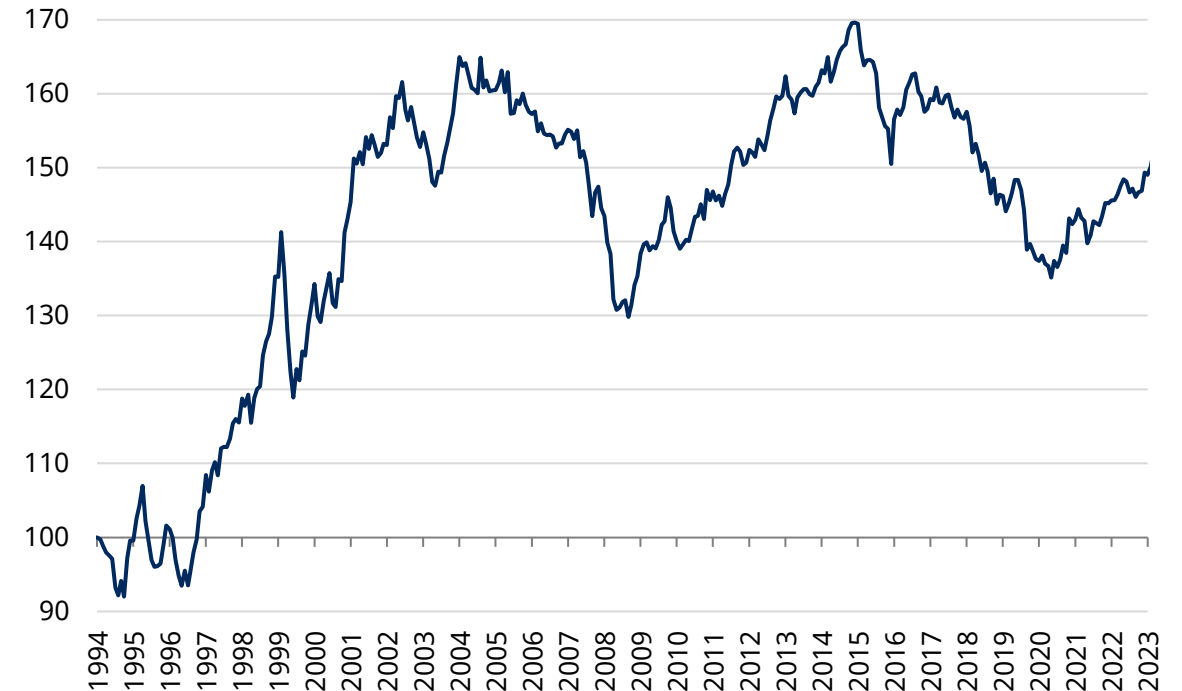
Strong record of long-term outperformance

As at 30 September 2023

Fund premium/discount¹



Relative performance vs. TOPIX²



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

¹Source: Bloomberg as at 30 September 2023, net of fees, Premium/discount is calculated as the fund's share price as a percentage of NAV.

²Source: Schroders, EIKON, as at 30 September 2023, Morningstar.

Attribution – stock

Schroder Japan Trust plc

12 Months to 30 September 2023

Top 5 contributors	Portfolio weight	Benchmark ¹ weight	Portfolio return	Benchmark ¹ return	Total effect
Sumitomo Mitsui Fg	3.8	1.3	68.8	68.8	+1.08
Ibiden Co Ltd	1.9	0.1	80.0	80.0	+0.92
T&D Holdings Inc	1.9	0.2	65.6	65.6	+0.72
Mitsui & Co	2.9	1.1	61.2	61.2	+0.71
Disco Corporation	1.0	0.3	133.4	133.4	+0.60

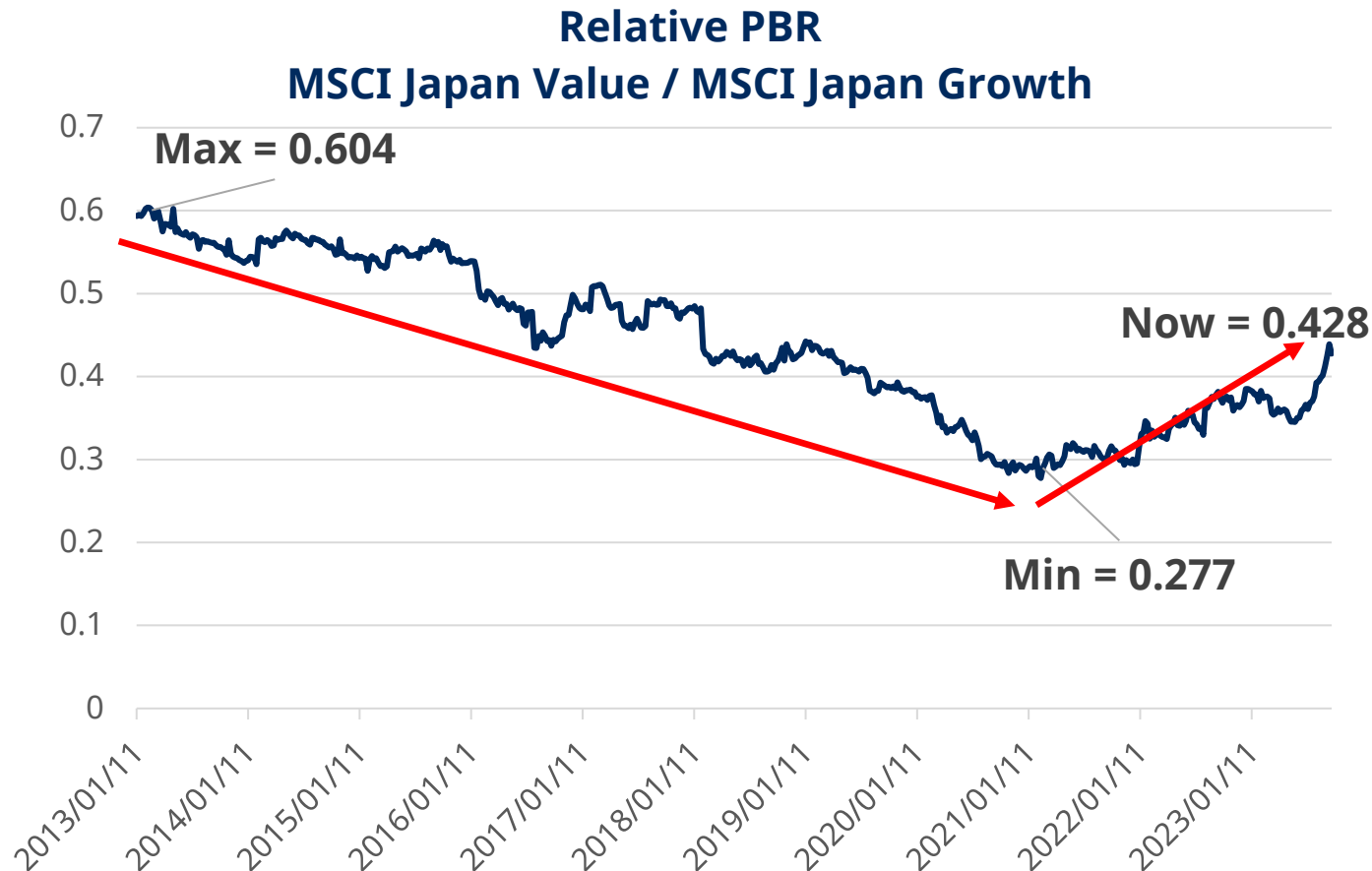
Top 5 detractors	Portfolio weight	Benchmark ¹ weight	Portfolio return	Benchmark ¹ return	Total effect
Mitsubishi Ufj Fin	0.0	1.9	0.0	78.9	-1.00
Seven & I Holdings	3.0	0.7	-8.7	-8.7	-0.60
Mitsubishi Corp	0.0	1.2	0.0	65.2	-0.50
Ship Health Care H	1.0	0.0	-24.7	-24.7	-0.49
Kohoku Kogyo Co Lt	0.9	0.0	-26.5	0.0	-0.47

Past performance is not a guide to future performance and may not be repeated. The value of investment can go down as well as up and is not guaranteed. The return may increase or decrease as a result of currency fluctuations.

Source: FactSet, GBP, Gross. ¹. Stocks mentioned are shown for illustrative purposes only and should not be viewed as a recommendation to buy/sell.

How are we positioned and going to change the portfolio?

Value rally may have some more legs - still at a halfway to recover the relative devaluations seen for 2013-2020



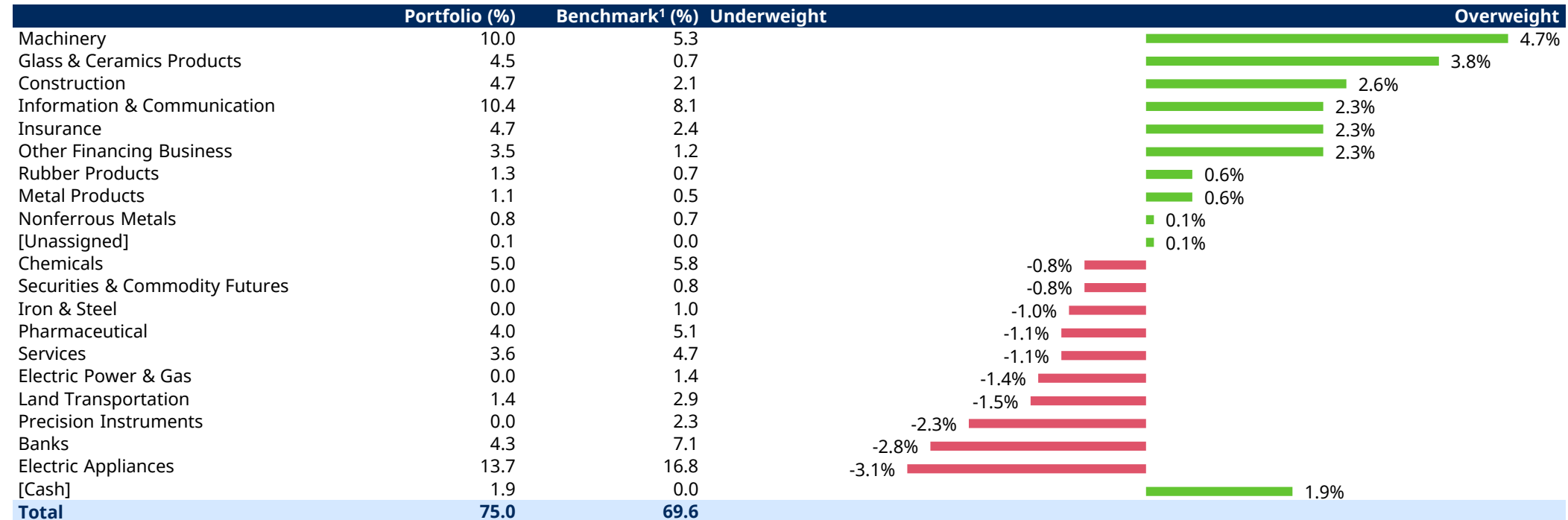
Portfolio Actions

- ① **Underweighting growth** sectors with high valuations and remain **Value biased**
- ② Maintain **bias toward Domestic-oriented / Mid & Small-cap** - those companies benefiting from solid volume recovery with strong pricing power (**Kyoritsu Maintenance**)
- ③ Maintain **bias toward Value stocks** with **a company-specific catalyst** led by **governance improvement** for revaluations (**Mitsui Chemicals**)

Sector positions – Top 10 and Bottom 10

Schroder Japan Trust plc

As at 30 September 2023



Source: Schroders, FactSet. ¹TOPIX

The accounting data used by FactSet is un-audited, therefore any subsequent cleaning of data will not be reflected in FactSet.

The sectors, securities, regions and countries shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Stock positions – Top 10 and Bottom 10

Schroder Japan Trust plc

As at 30 September 2023

	Portfolio (%)	Benchmark ¹ (%)	Underweight	Overweight
Sumitomo Mitsui Fg	4.3	1.6		2.7%
Nippon Tel&Tel Cp	4.3	1.7		2.5%
Asahi Group Hldgs	2.8	0.4		2.4%
Orix Corp	2.9	0.5		2.4%
Hitachi	3.7	1.4		2.3%
Infroneer Hldgs In	2.1	0.0		2.1%
T&D Holdings Inc	2.2	0.2		2.0%
Seven & I Holdings	2.6	0.6		2.0%
Ibiden Co Ltd	2.1	0.1		2.0%
Niterra Co Ltd	1.9	0.1		1.8%
Daiichi Sankyo Com	--	1.1	-1.1%	
Shin-Etsu Chemical	--	1.1	-1.1%	
Mizuho Finl Gp	--	1.1	-1.1%	
Nintendo Co Ltd	--	1.2	-1.2%	
Honda Motor Co	--	1.2	-1.2%	
Tokyo Electron	--	1.3	-1.3%	
Mitsubishi Corp	--	1.4	-1.4%	
Keyence Corp	--	1.7	-1.7%	
Mitsubishi Ufj Fin	--	2.4	-2.4%	
Sony Group Corpora	--	2.6	-2.6%	

Source: Schroders, FactSet. ¹TOPIX.

The accounting data used by FactSet is un-audited, therefore any subsequent cleaning of data will not be reflected in FactSet.

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Top 10 holdings by absolute weight

Schroder Japan Trust plc

As at 30 September 2023

Stock	Sector	Issuer	Portfolio weight (%)	Benchmark ¹ weight (%)	Active weight (%)
Toyota Motor Corp	Transportation Equipment		5.1	4.5	+0.6
Nippon Tel&Tel Cp	Information & Communication		4.3	1.7	+2.6
Sumitomo Mitsui Fg	Banks		4.3	1.6	+2.7
Hitachi	Electric Appliances		3.7	1.4	+2.3
Orix Corp	Other Financing Business		2.9	0.5	+2.4
Asahi Group Hldgs	Foods		2.8	0.4	+2.4
Mitsui & Co	Wholesale Trade		2.8	1.2	+1.6
Seven & I Holdings	Retail Trade		2.6	0.6	+2.0
Tokio Marine Hldg	Insurance		2.5	1.0	+1.5
Takeda Pharmaceuti	Pharmaceutical		2.5	1.2	+1.2
Total			33.4	14.2	

Source: Schroders, FactSet. ¹TOPIX.

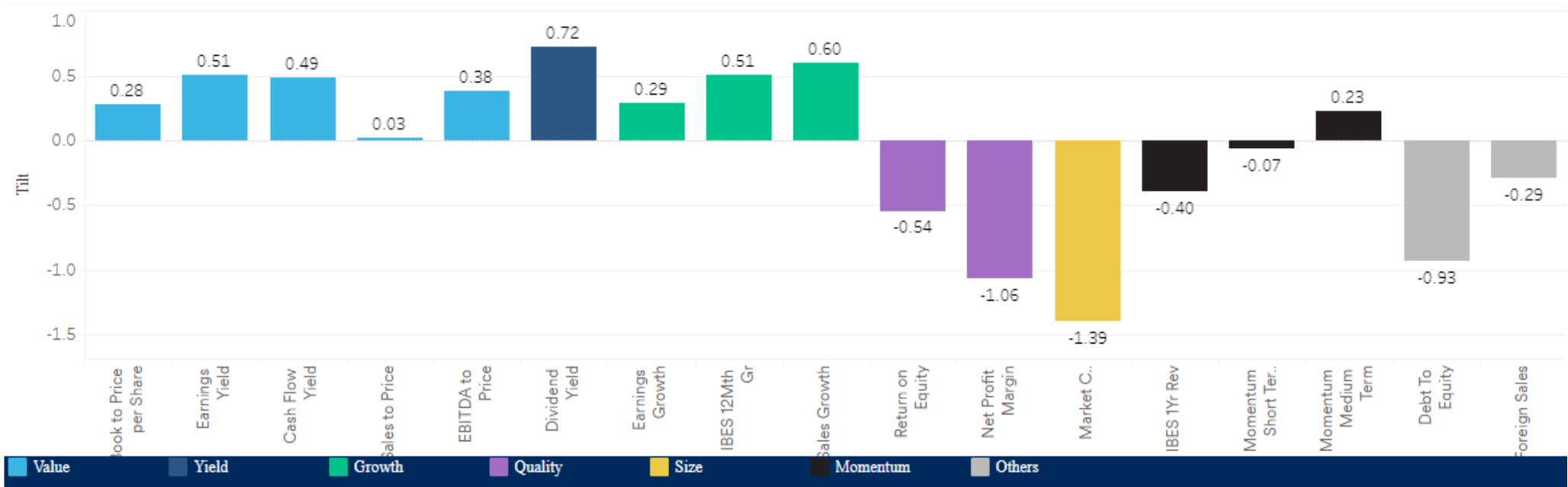
The accounting data used by FactSet is un-audited, therefore any subsequent cleaning of data will not be reflected in FactSet.

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Fund risk characteristics

As at 30 September 2023

Style Research Skyline



Predicted Risk		Active Risk Decomposition (from BRS)	
Tracking Error	3.34%	Stock Specific Risk	49.4
Beta	1.08	Sectors	23.6
Benchmark Volatility	14.22%	Countries	0.0
Absolute Fund Volatility	15.63%	Style Factors	26.0
		Currency	1.0

Source: Schroders SPARCS inc cash. Based on unaudited data. Figures from Style Research unless otherwise stated. Past performance is not a guide to future performance and may not be repeated. The value of investment can go down as well as up and is not guaranteed. The return may increase or decrease as a result of currency fluctuations.

Schroders



Japan's Macro Background

Japan Macro Outlook

Long term positive view backed by inflation and corporate governance stories

Inflation = “cost” of holding cash

- ① Steady economic growth for 2023 driven by domestic demands
- ② Positive cycle of mild inflation and wage growth supported by BOJ policy
- ③ Households: From deposits to investments including Japan equity
- ④ Corporates: From cash on B/S to productivity investments

Corporate Governance

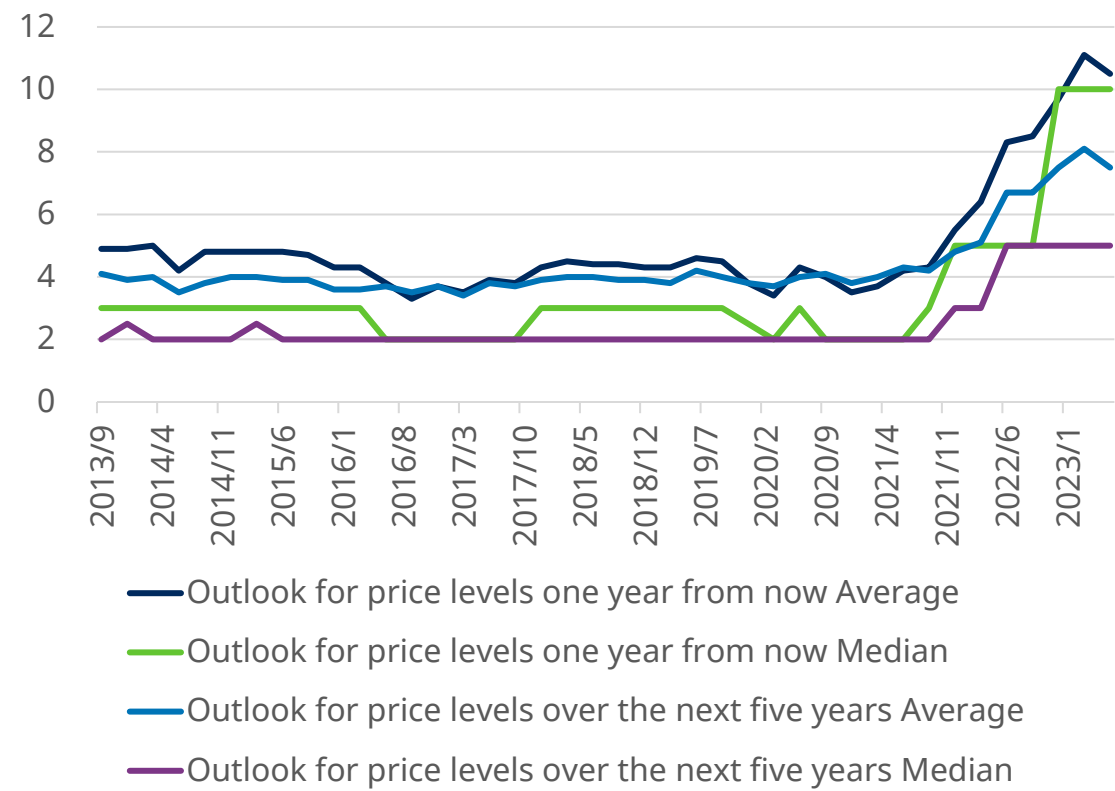
- ① Corporate earnings are solid with reasonable valuation
- ② Corporate management efforts toward investors-oriented mind-set
- ③ Further room for changes including higher returns, more from small cap

Source: Schroders, as at October 2023

Inflation expectation finally picking up in Japan

Both households and corporations expects prices are rising higher and longer

Consumer Confidence
Outlook for price levels (%; BOJ)



Source: Bank of Japan, as at 30 June 2023

Inflation Outlook for Enterprise
(%; Tankan survey; All Enterprises)



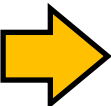
Source: Bank of Japan. Short-Term Economic Survey of Enterprises in Japan as at 30 September 2023

From deposits to investment amid inflationary environment

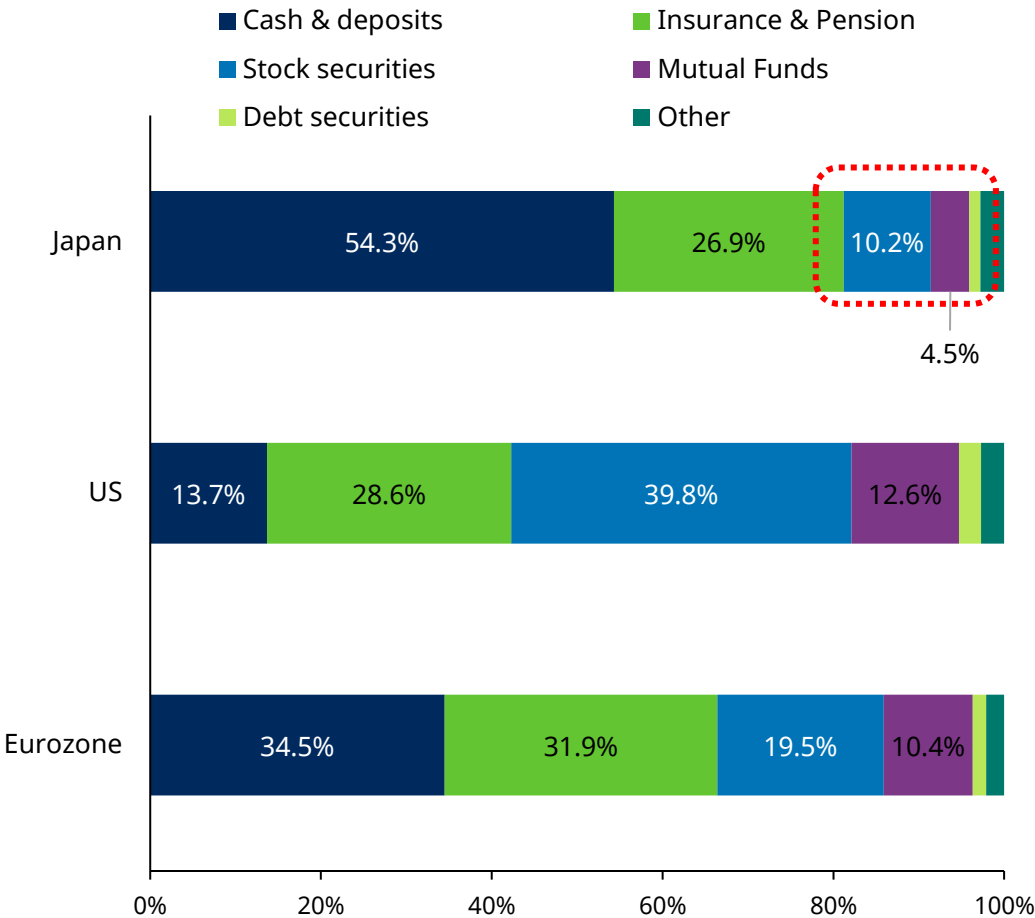
New NISA: Nippon Individual Savings Account can drive individual equity investing

Comparison of existing and new NISA structure

	Existing NISA (~2023)		New NISA (starting from 2024)	
	NISA for Accumulation (since 2018)	NISA (since 2014)	Accumulation account	Growth account
Mutually exclusive?	Yes		No	
Limit for tax exemption (per year)	JPY 8 million	JPY 6 million	JPY 18 million (Lifetime) (JPY 12 million for growth account)	
Reuse of account?	Not allowed		Yes	
Maximum holding period for tax exemption	20 years	5 years	Unlimited	



Breakdown of financial assets held by households

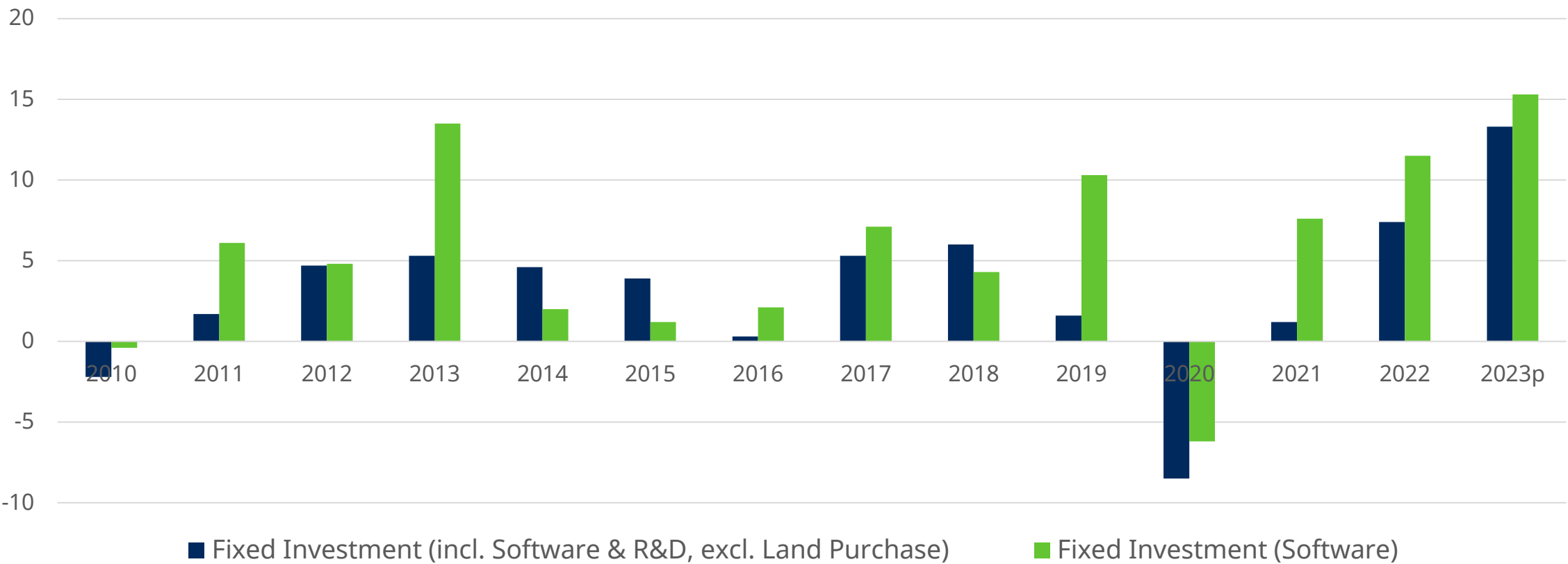


Source: FSA, Schroders, as at 31 August 2023

From cash on B/S to productivity investments

Corporates continues to spend their idle cash to Capex including IT investments

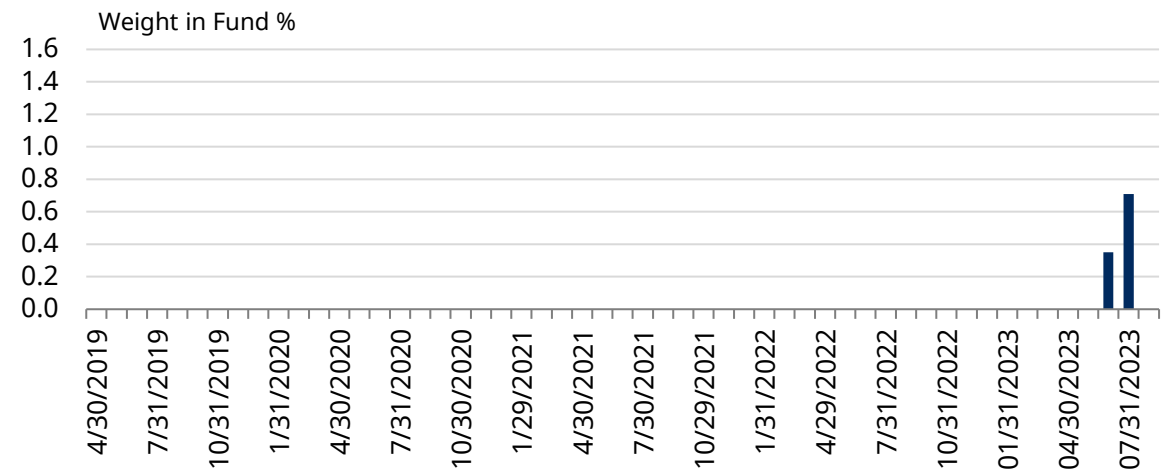
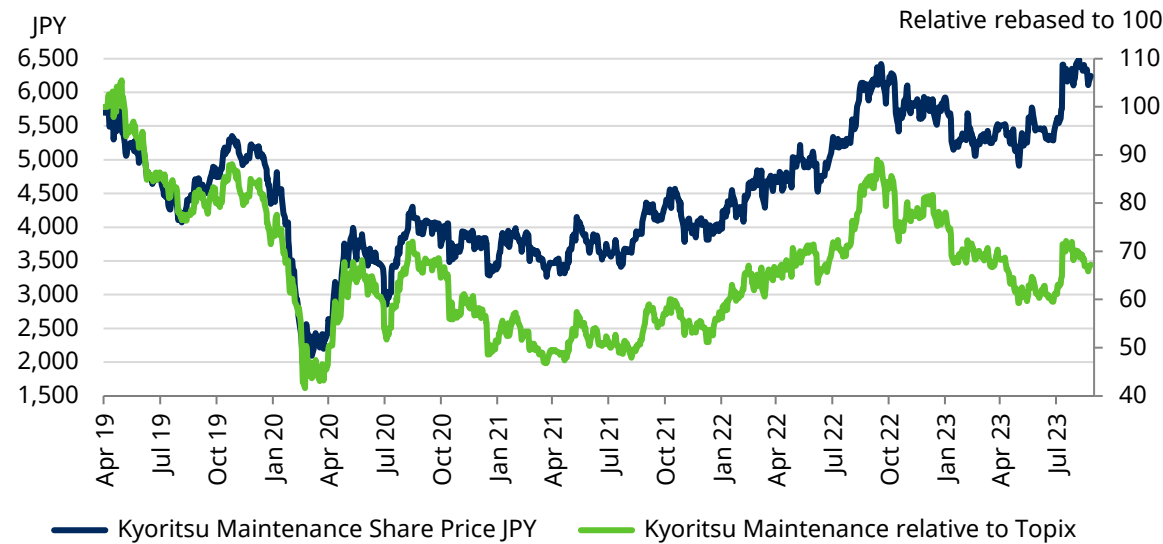
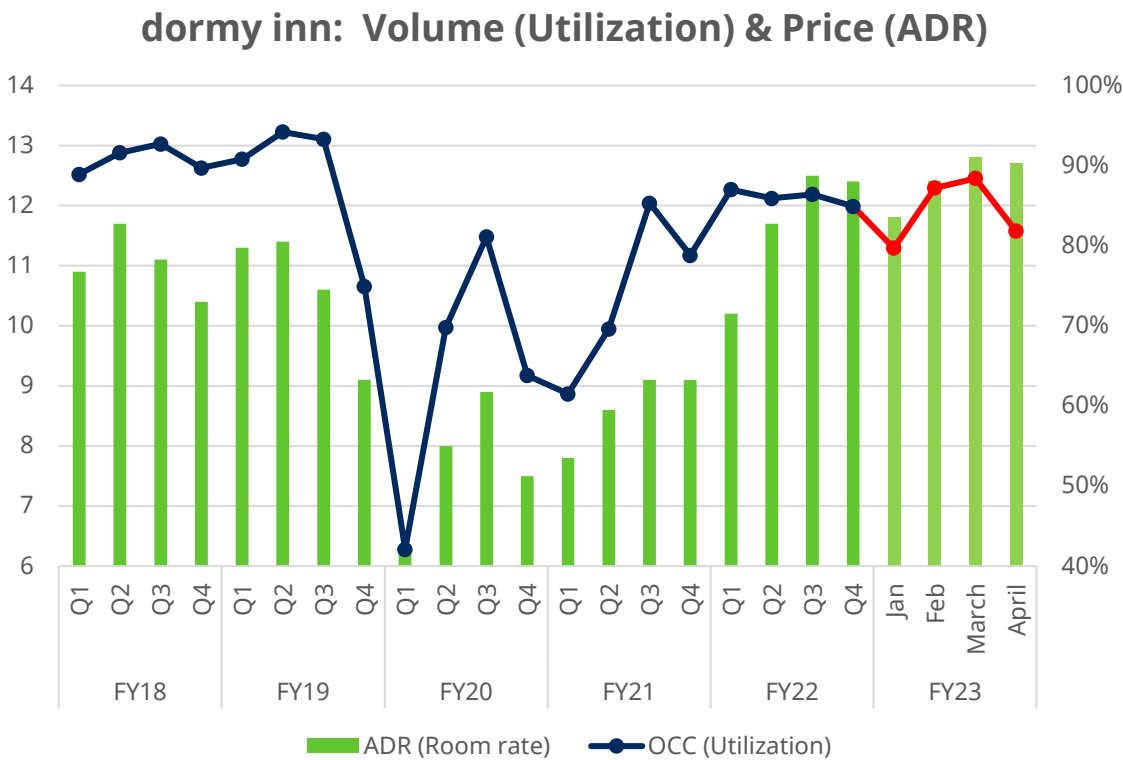
Tankan Capex Survey (All Enterprise/All Industries)



Source: Bank of Japan. Short-Term Economic Survey of Enterprises in Japan, as at 30 September 2023

Investment case: Inflation story

Kyoritsu Maintenance: Operates dormitories for students and companies. It also provides outsourcing business; operates hotels under the Dormy Inn name, as well as hot springs and resort hotels; and offers housing for senior citizens.

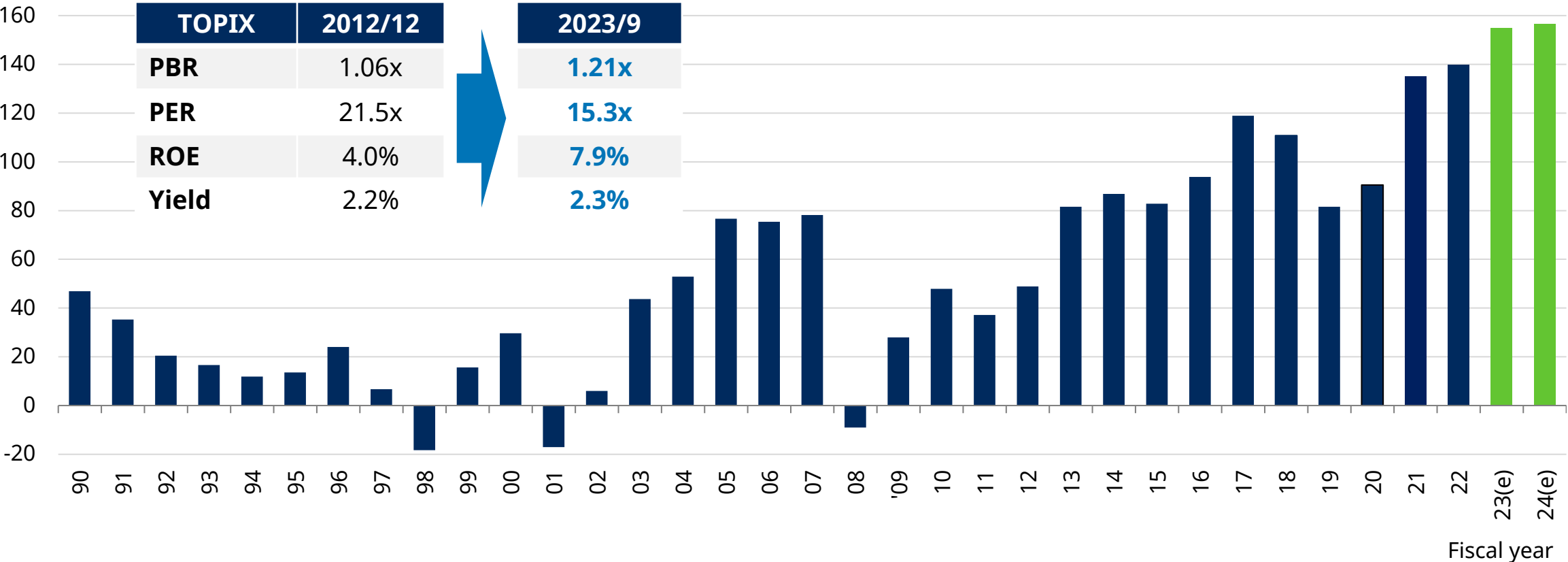


Source: Schroders, EIKON, Factset. As at 30 September 2023. Performance is not a guide to future performance and may not be repeated. The securities shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Aggregate earnings hitting record highs

Earnings growth will remain solid toward 2024

TOPIX EPS

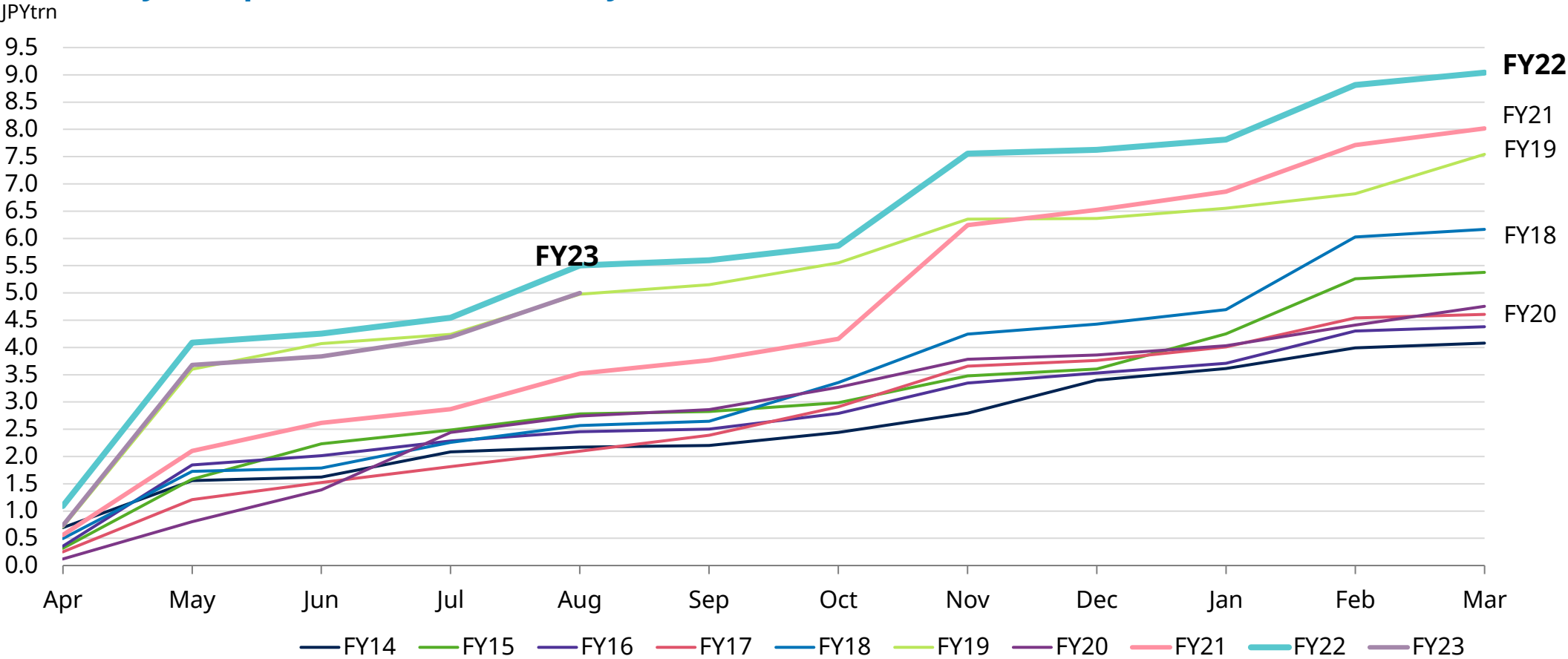


Source: Nomura Research, TSE1 basis, Top down forecast, as at September 2023. (EPS = Earnings Per Share).
Forecast risk warning: Please see the information slide at the end of this presentation.

Strong trend for Share Buyback

Still significant scope for higher shareholder returns

Share buyback plan announcements by FY

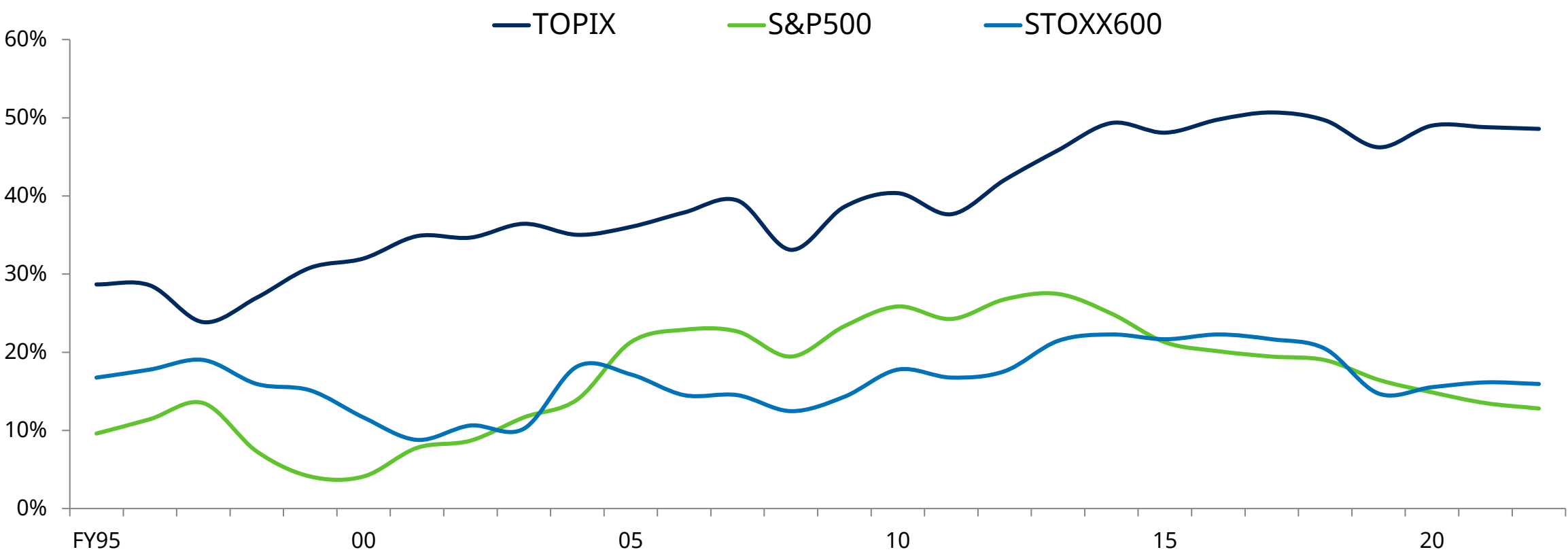


Sources: QUICK, SMBC NIKKO, as at 31 August 2023. Note: Universe is TOPIX constituents.

Net cash companies in Japan, US, and Europe

c.50% of Japanese companies is net cash with potential for higher shareholder returns

Percentage of net cash companies (excluding financials)

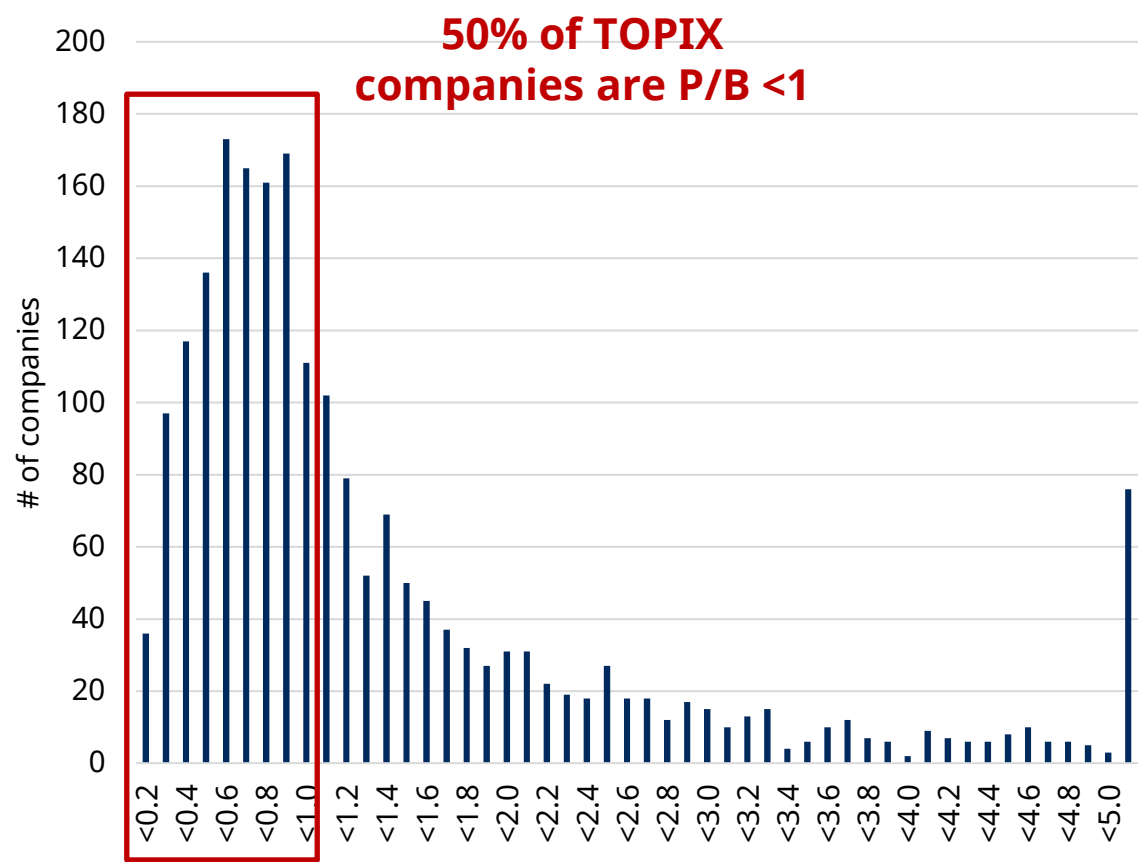


Source: Goldman Sachs, Factset, Schroders, as at 31 December 2022

Price to Book ratio below 1x

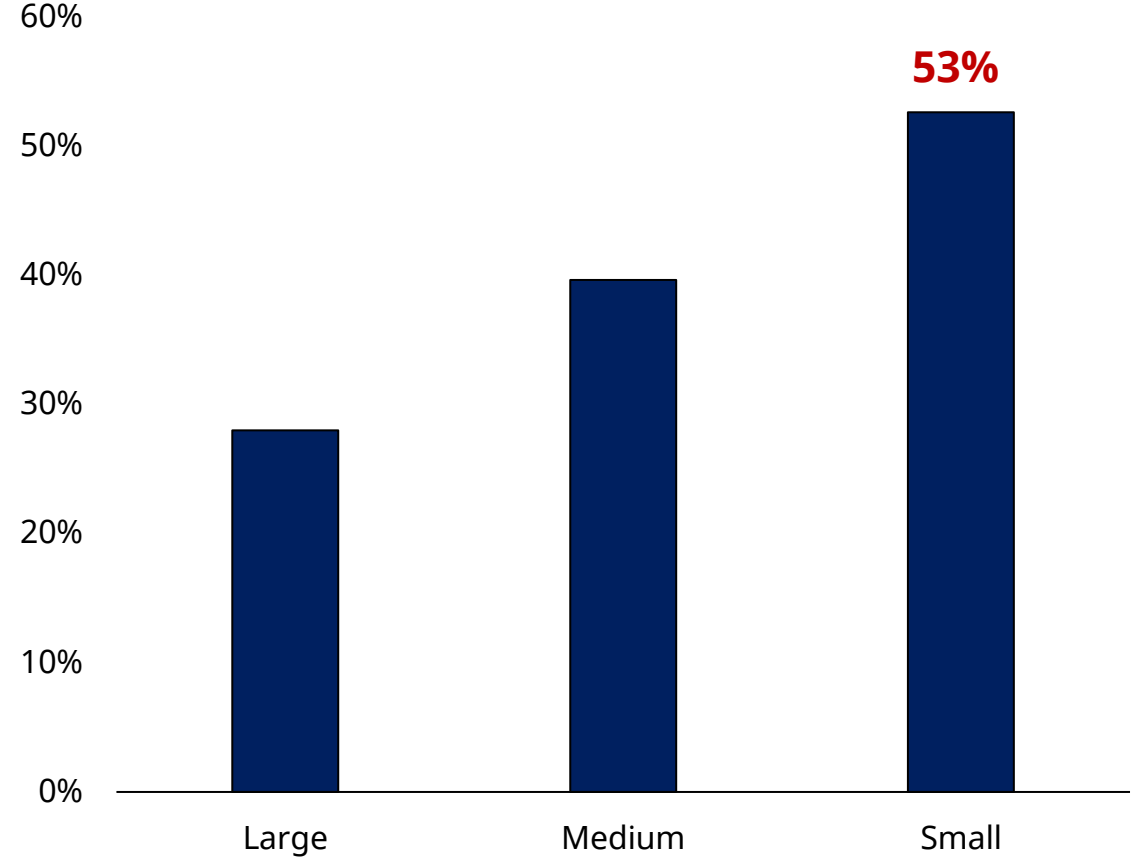
We expect to see more change from Small Cap space

Price to Book ratio distribution - TOPIX



Source: Bloomberg, Schroders, as at 30 September 2023

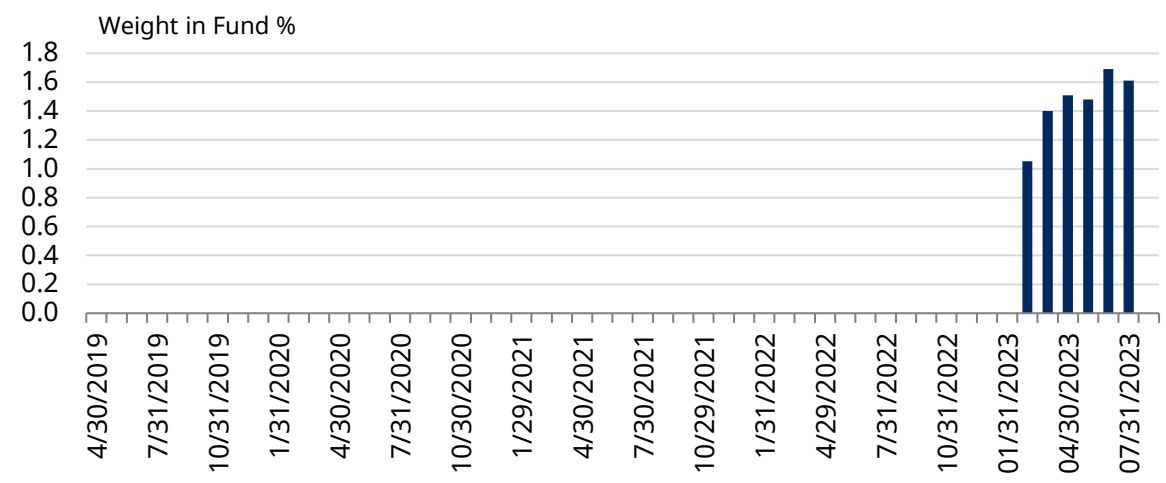
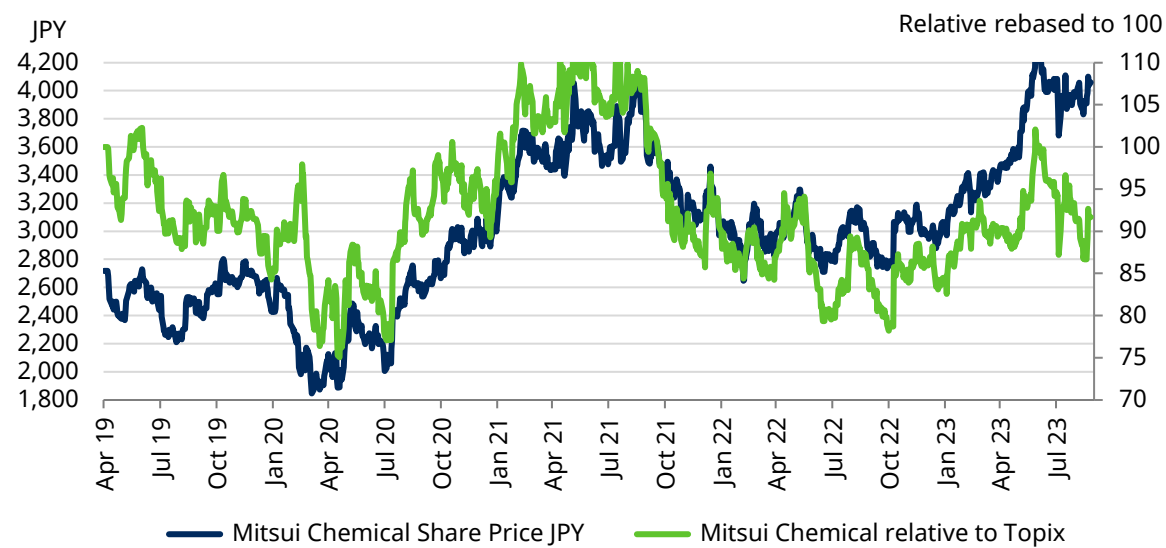
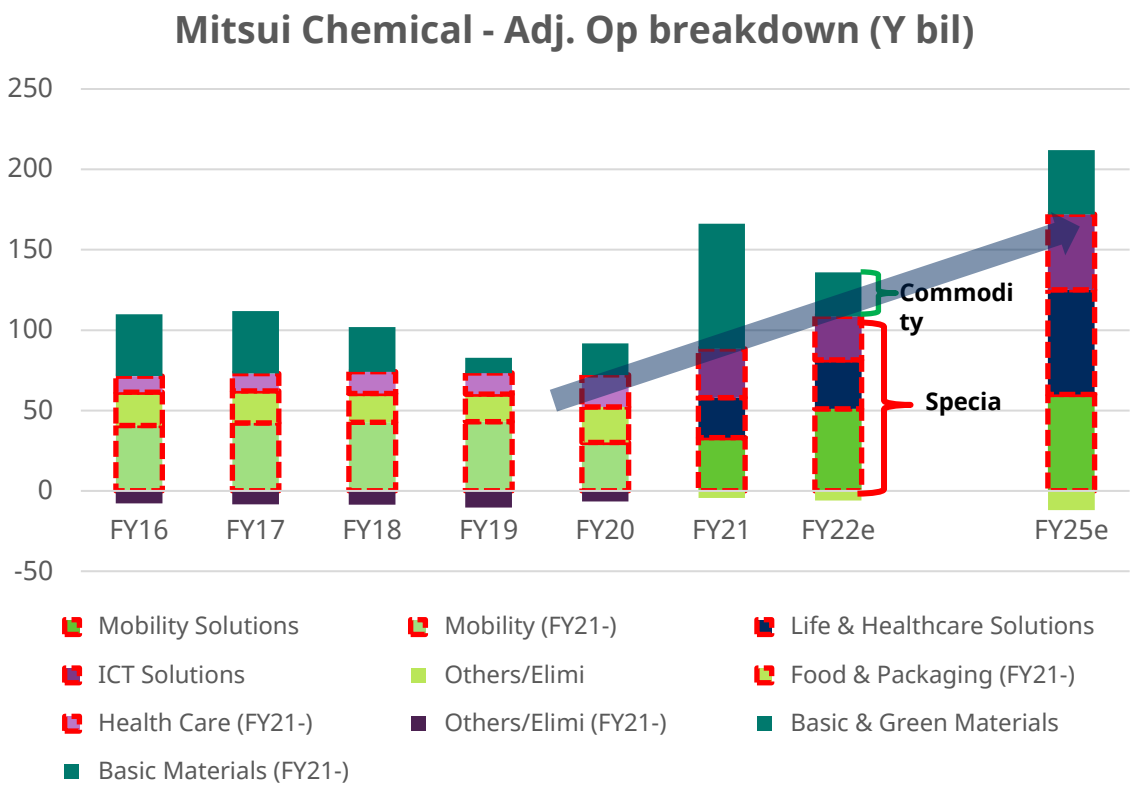
% of companies below Price to Book below 1x by size - TOPIX



Source: Bloomberg, Schroders, as at 30 September 2023

Investment case: Corporate Governance story

Mitsui Chemical is a mid cap chemical company with structurally changing their business model from commoditised products to speciality products such as healthcare, mobility, and ICT solutions.



Source: Schroders, EIKON, Factset. As at 30 September 2023. Performance is not a guide to future performance and may not be repeated. The securities shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Schroders

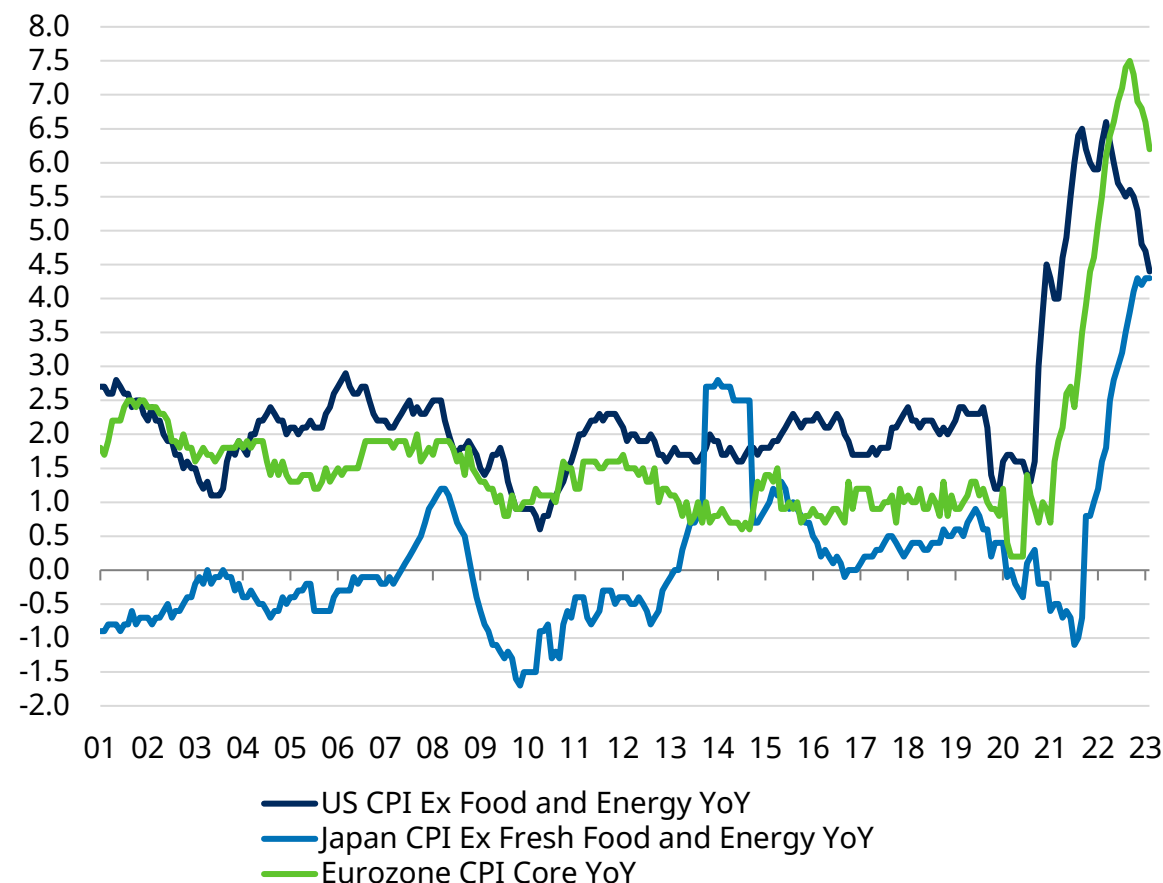


Appendix

BOJ policy moved steadily ahead to normalisation

Inflation likely to remain resilient and wage growth is following as BOJ expects

Inflation



Source:: Schroder, Bloomberg. As at 31 August 2023

Kazuo Ueda, BOJ governor with academic background



"The Bank of Japan judges that, at this point in time, achieving the price stability target of 2 percent in a sustainable and stable manner has not yet come in sight."

Himino and Uchida, deputy governors drive execution



Ryozo Himino

Former FSA Commissioner



Shinichi Uchida

BoJ Executive Director

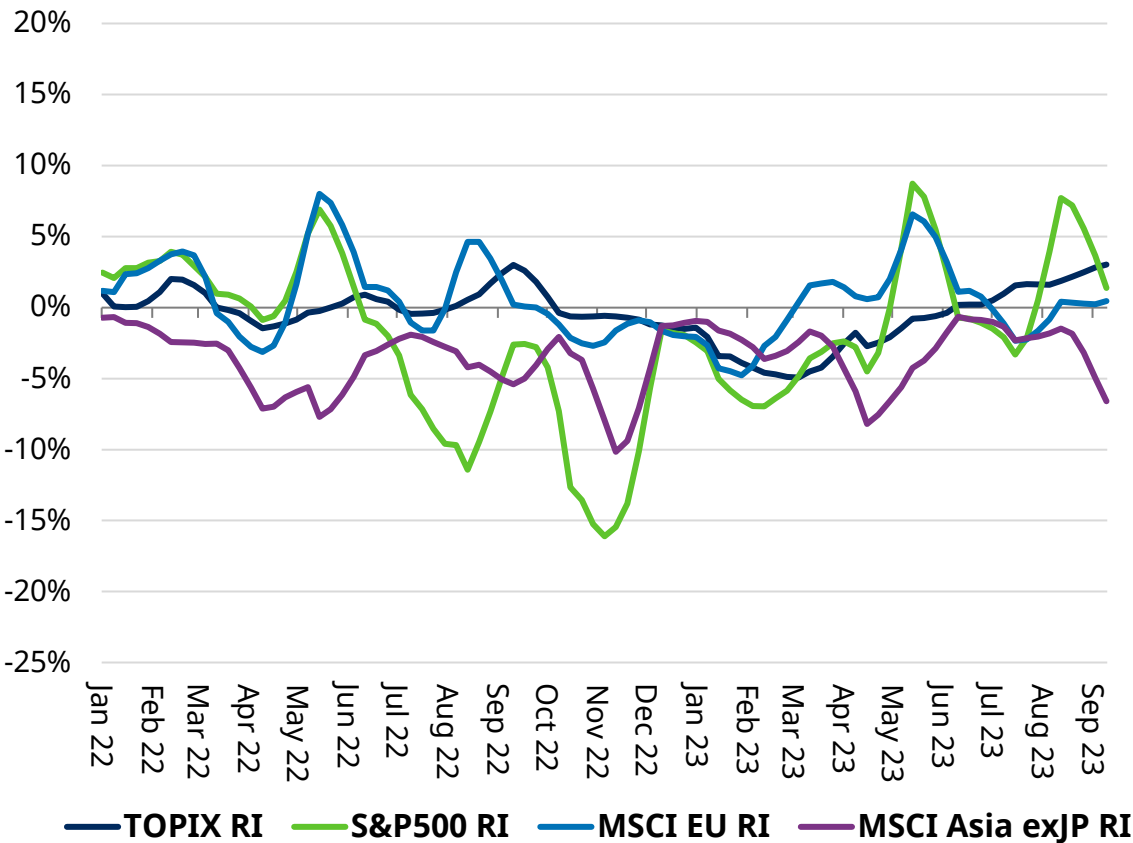
Adjustment was made for YCC policy at July policy meeting

Schroders

Earnings prospects improving and margins seem resilient

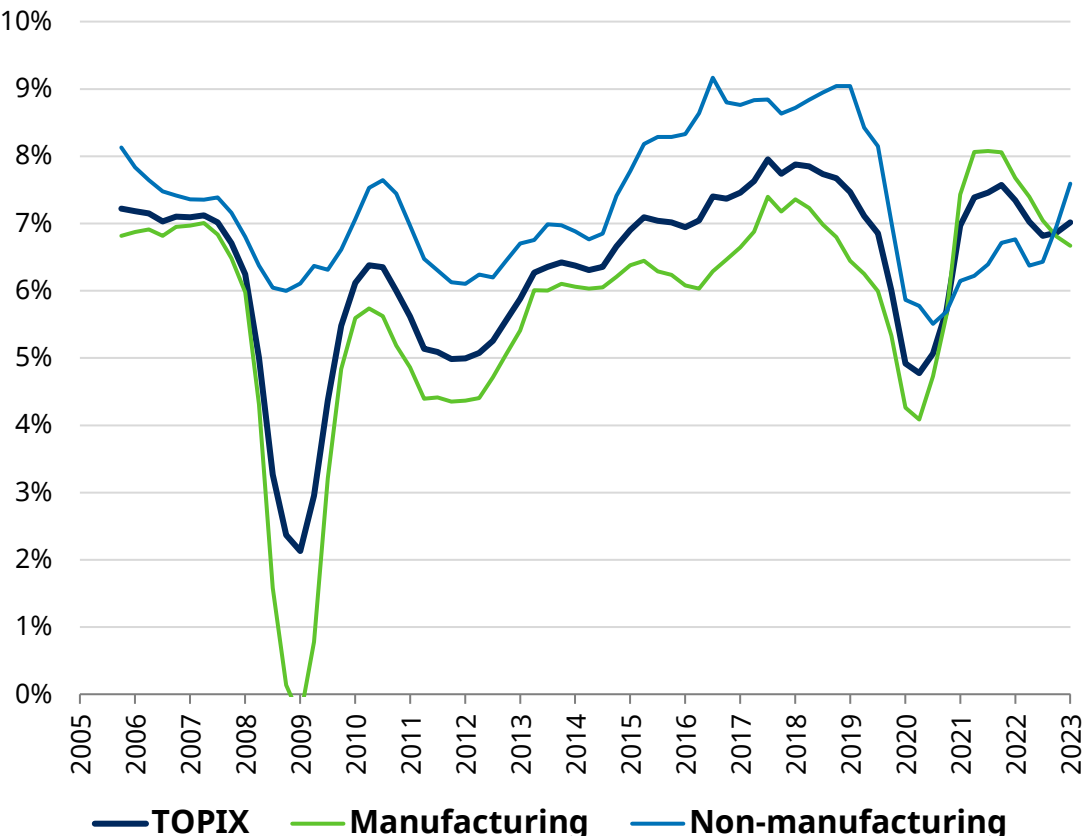
Overall earnings environment improving and margins backed by pricing powers

Revision indices



Source: Thomson Reuters Datastream, SMBC NIKKO, as at 14 September 2023. Revision index calculated from analyst forecasts (no. of upward revisions – no. of downward revisions)/total no. of forecasts. IBES consensus, Revision index is 4-week moving average.

OP Margins

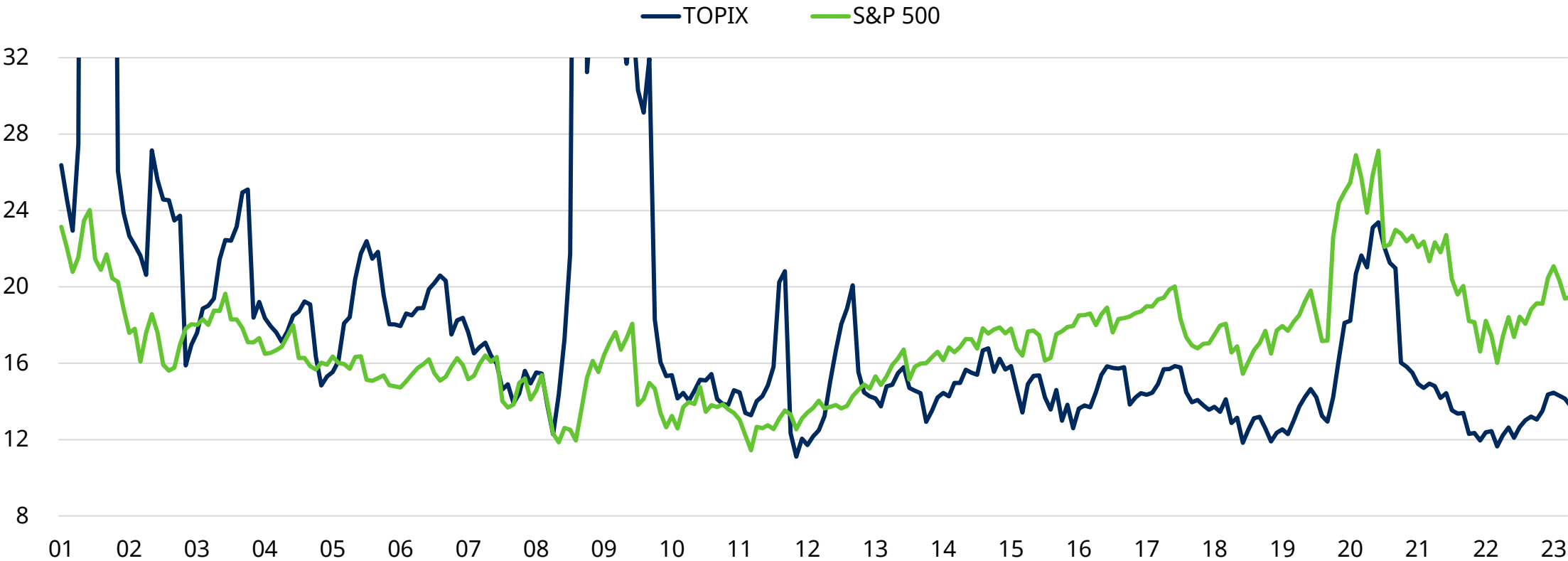


Sources: QUICK, SMBC NIKKO. Note: Universe is TOPIX constituents closing books in February/Mar (ex financials, wholesale trade). Four-quarter moving average as at 30 June 2023

Reasonable valuation

Japanese stocks offer a more attractive valuation historically and relatively

12 months forward Price to Earnings Ratio

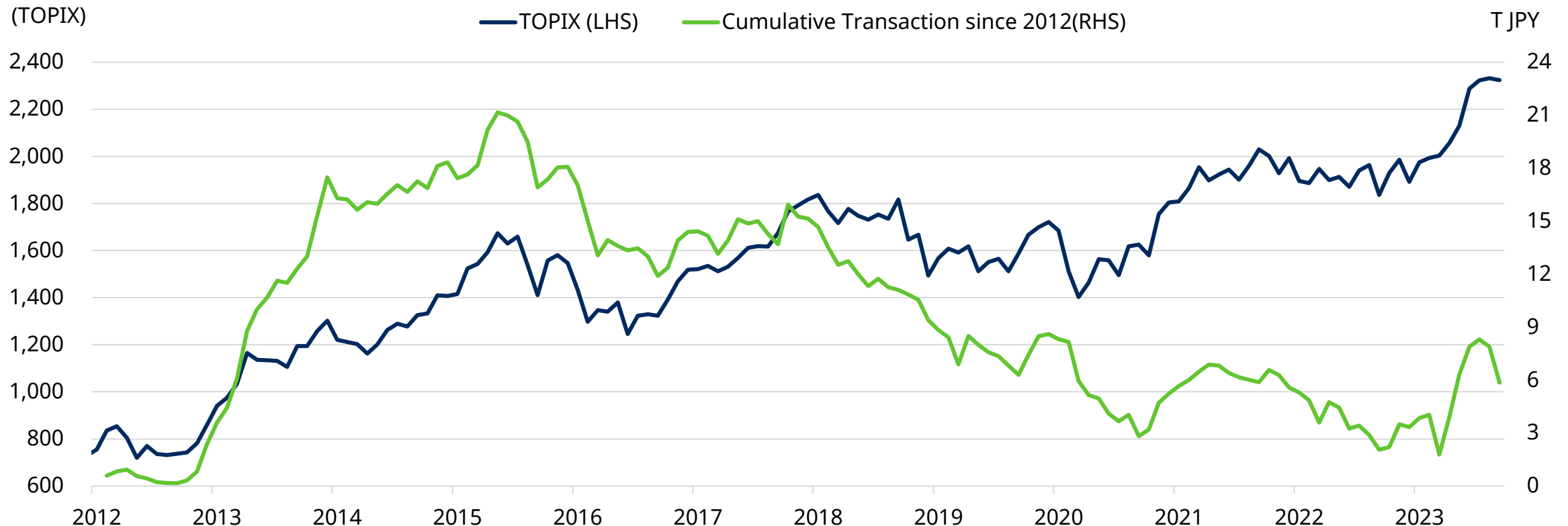


Source: Schroders, Ministry of Finance, Bloomberg, as at 30 September 2023. Past performance is not a guide to future results.

Japanese equity investment by foreign investors

Most inflows since Abenomics have flowed out, then started to pick up in 2023

TOPIX and *Aggregate net inflows in Japanese Equity Market from Foreign Investors since 2012



*Aggregate net inflows from Foreign Investors excludes future (cash stock only)

Source: Bloomberg, as at 30 September 2023

Stewardship Code

Foster investors to be responsible and accountable

1st Code
Feb 2014

- Stewardship responsibilities
- Managing conflicts of interest
- Monitoring investee companies
- Constructive engagement
- Voting
- Reporting requirement
- Knowledge, skills and resources

2nd Code
May 2018

- Focusing on
- Responsibilities of asset owners, ESG index providers, and passive managers
 - Collective engagement
 - Voting disclosure by asset managers

3rd Code
Mar 2020

- Further clarity and enhancement in
- Consideration of ESG factors
 - Responsibility for corporate pensions
 - Roles of proxy voting advisors, and Pension consultants

Source: FSA, as at 31 March 2023

Corporate Governance Code

Revive companies' profitability by better governance

1st Code
Jun 2015

- Shareholders rights
- Cooperation with Stakeholders
- Disclosure and Transparency
- Board responsibility
- Dialogue with Shareholders

3rd Code
Jun 2021

- Enhance governance structures
- Higher standard for TSE Prime market
- Diversity in management positions
- ESG/Sustainability focus
- Disclosure on climate changes

2nd Code
Jun 2018

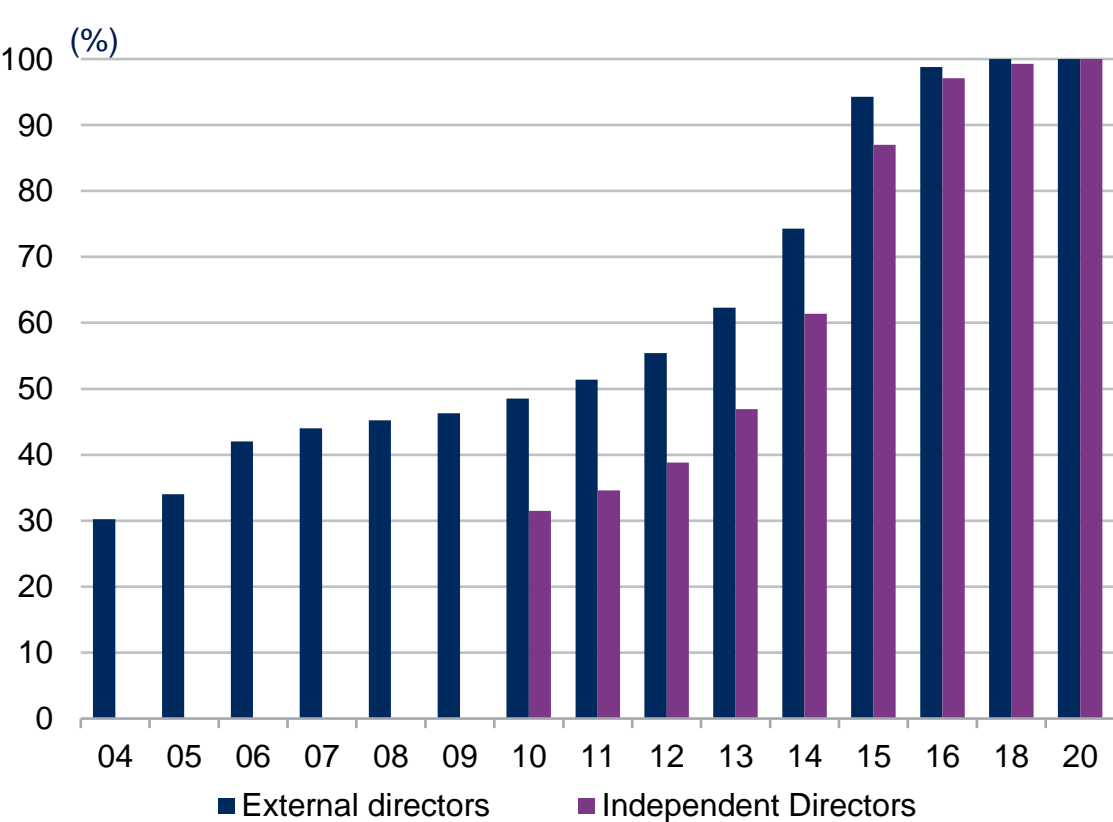
- Focusing on
- Cross shareholding
 - Corporate pension funds
 - Outside & Independent directors

¹Source: Tokyo Stock Exchange, as at 31 March 2023.

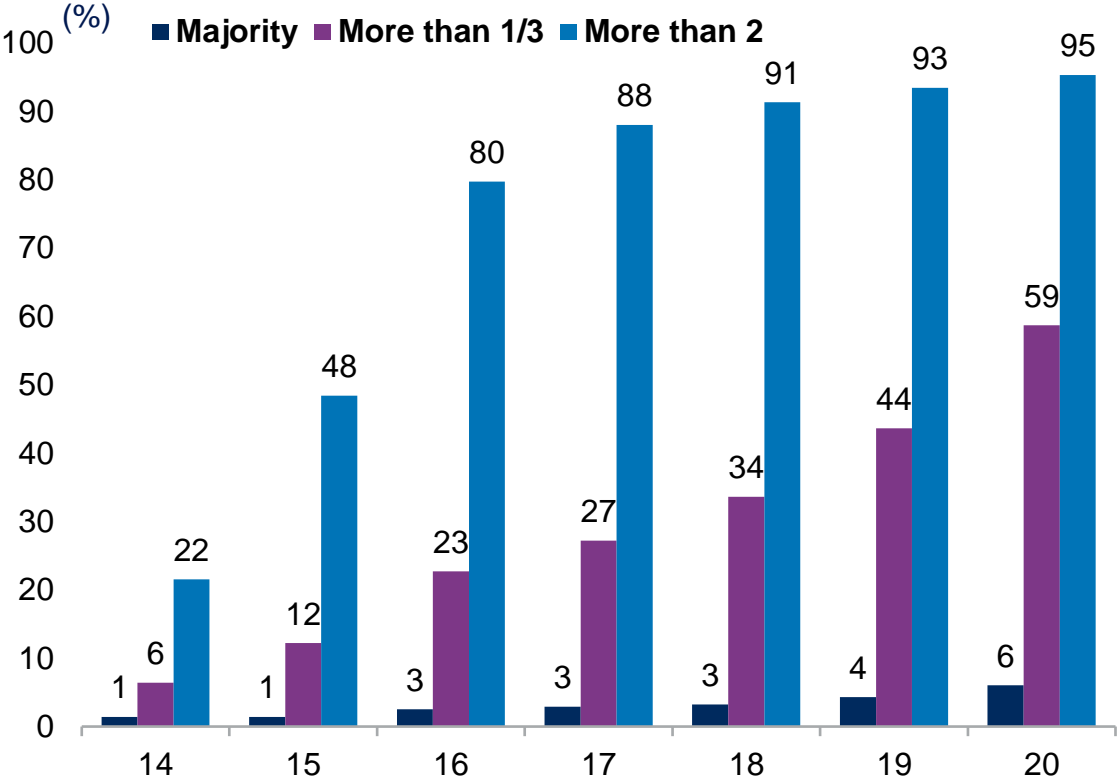
Development of Corporate Governance structure

Japanese Companies' management system has completely changed over the decade

Percentage of TSE1 companies with external directors & independent directors



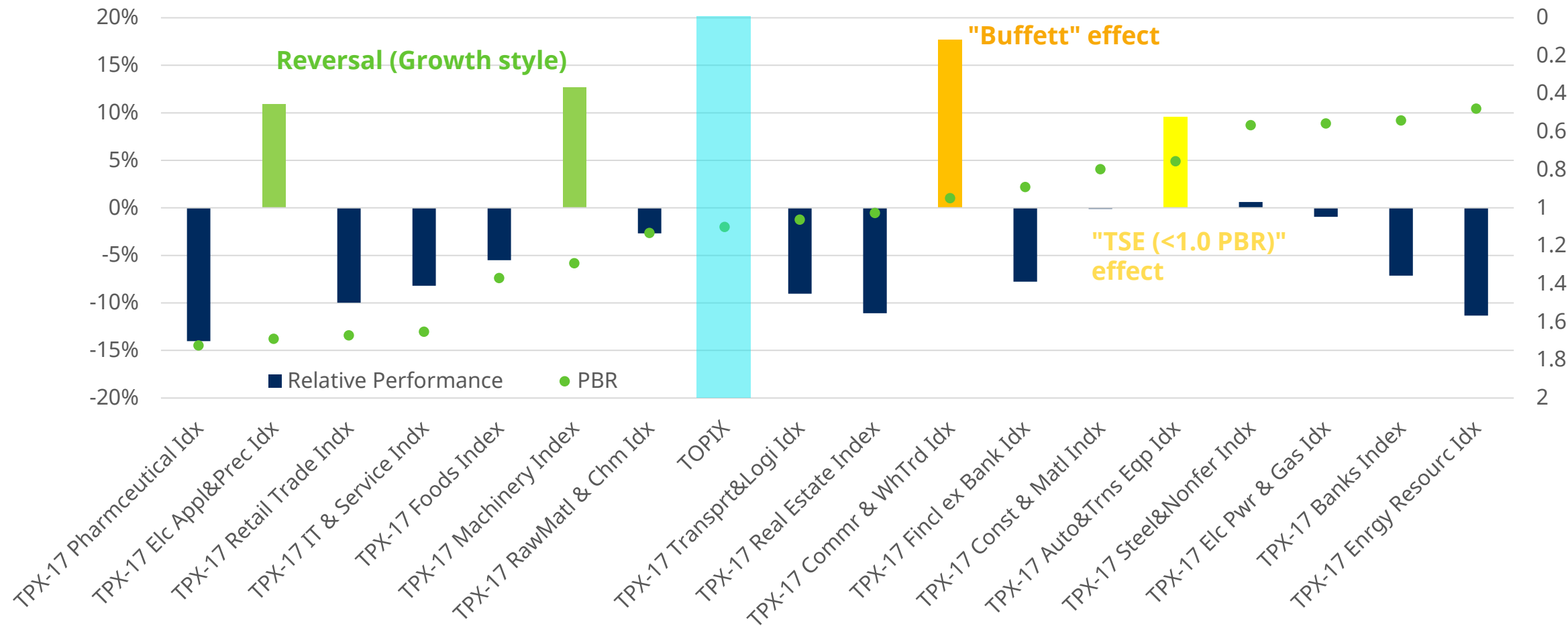
Percentage of TSE1 companies with majority, more than 1/3, or more than 2 external & independent directors



¹Source: Tokyo Stock Exchange, as at 31 March 2021.

Market Dynamics in 1H 2023

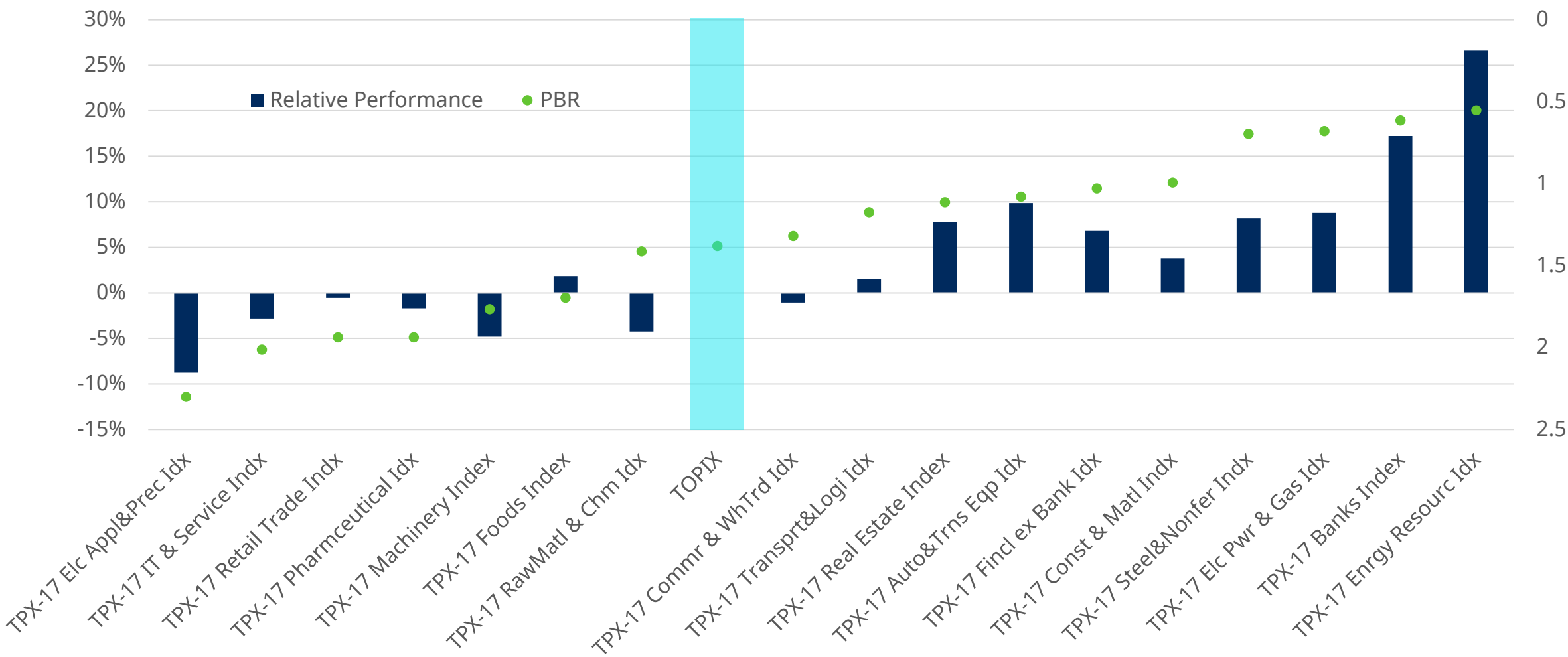
1H 2023 PBR (inverse) and Relative performance vs. TOPIX



Source: Schroders, Bloomberg, as at 30 June 2023

Market Dynamics in 3Q 2023

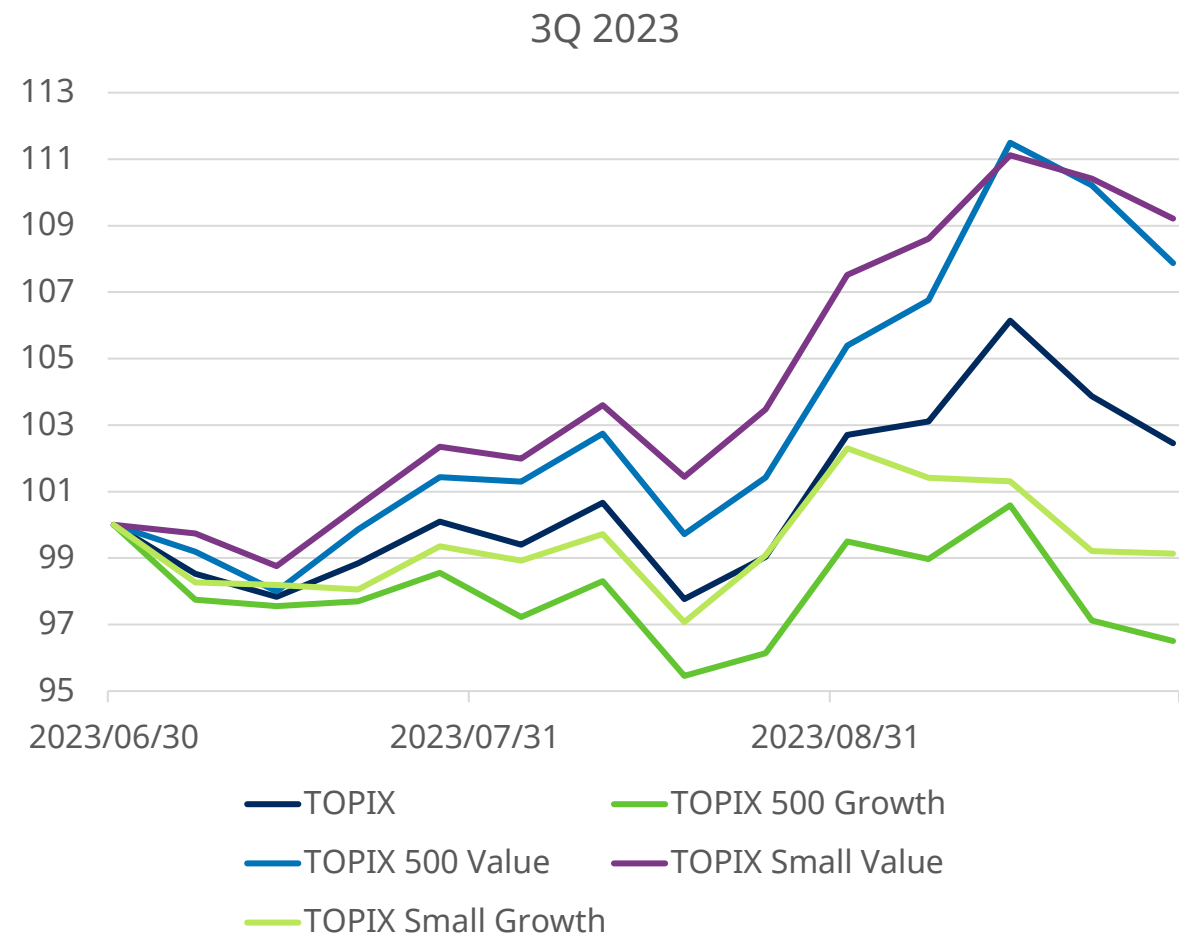
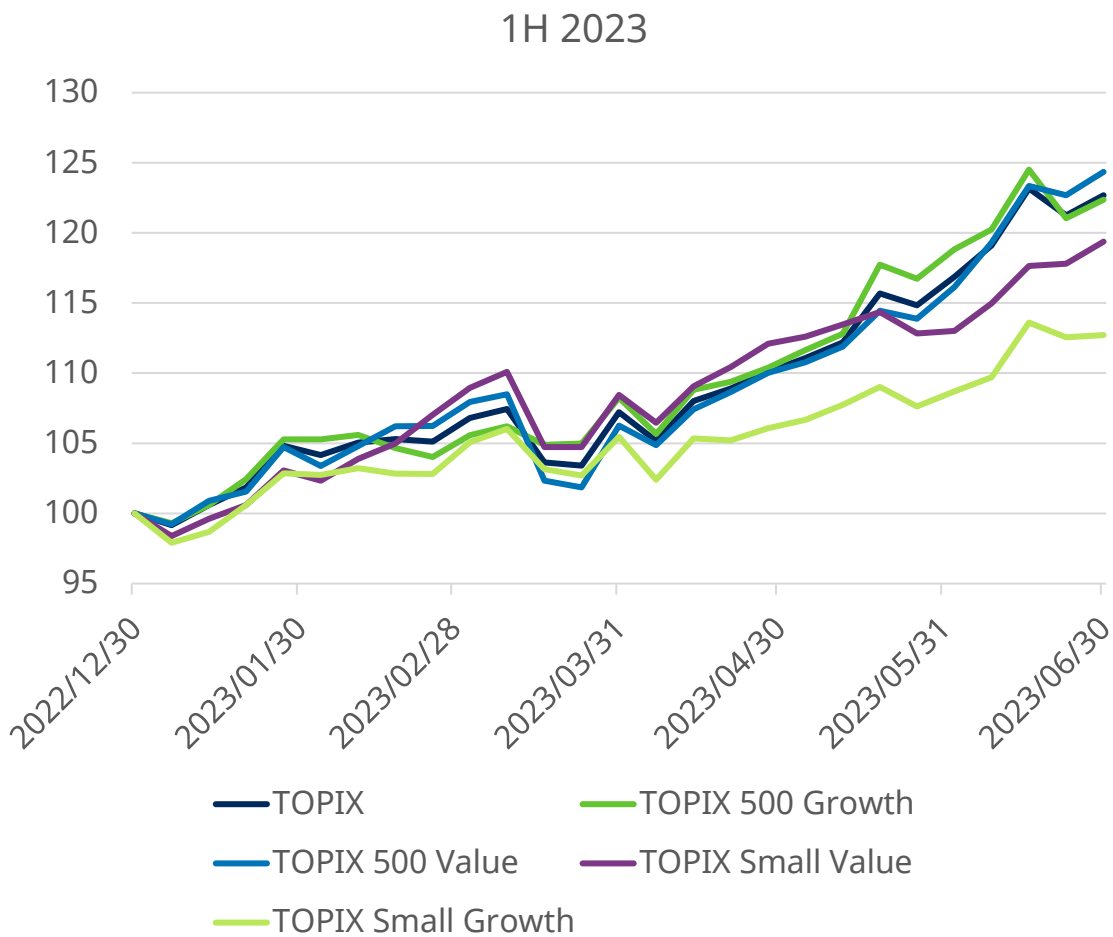
3Q 2023 PBR (inverse) and Relative performance vs. TOPIX



Source: Schroders, Bloomberg, as at 30 September 2023

Market Dynamics – by Size and Style

Performance by size (Large/Small) & style (Value/Growth)



Source: Schroders, Bloomberg, as at 30 September 2023

Japanese Equity team

Team of Fund managers and Analysts with average Schroders' tenure of 14 years

Kazuhiro Toyoda
Head of Japanese Equities

Fund Manager

Ken Maeda
Takafumi Miura

Masaki Taketsume
Kota Takahashi

Analyst

Kentaro Sasaki **Ayumi Kobayashi**
Co Head of Research

Joshua Bennison
Madoka Sato
Hiromi Mori
Akira Namegawa
Natsuki Iida (Sustainable Equity Analyst)

Tatsuya Ueda
Kazuko Yabutani
H. Jun Kim
Takuya Furutani

Product

Taku Arai*
Deputy Head of Japanese Equities

Ryota Takada
Akito Mizuno

Average years of investment experience

- **Fund Managers** **21 Years**
- **Analysts** **20 Years**

Source: Schroders, as at 30 September 2023.

*Based in London.

Japanese Equity team

Fund Manager profile



Masaki Taketsume, CFA

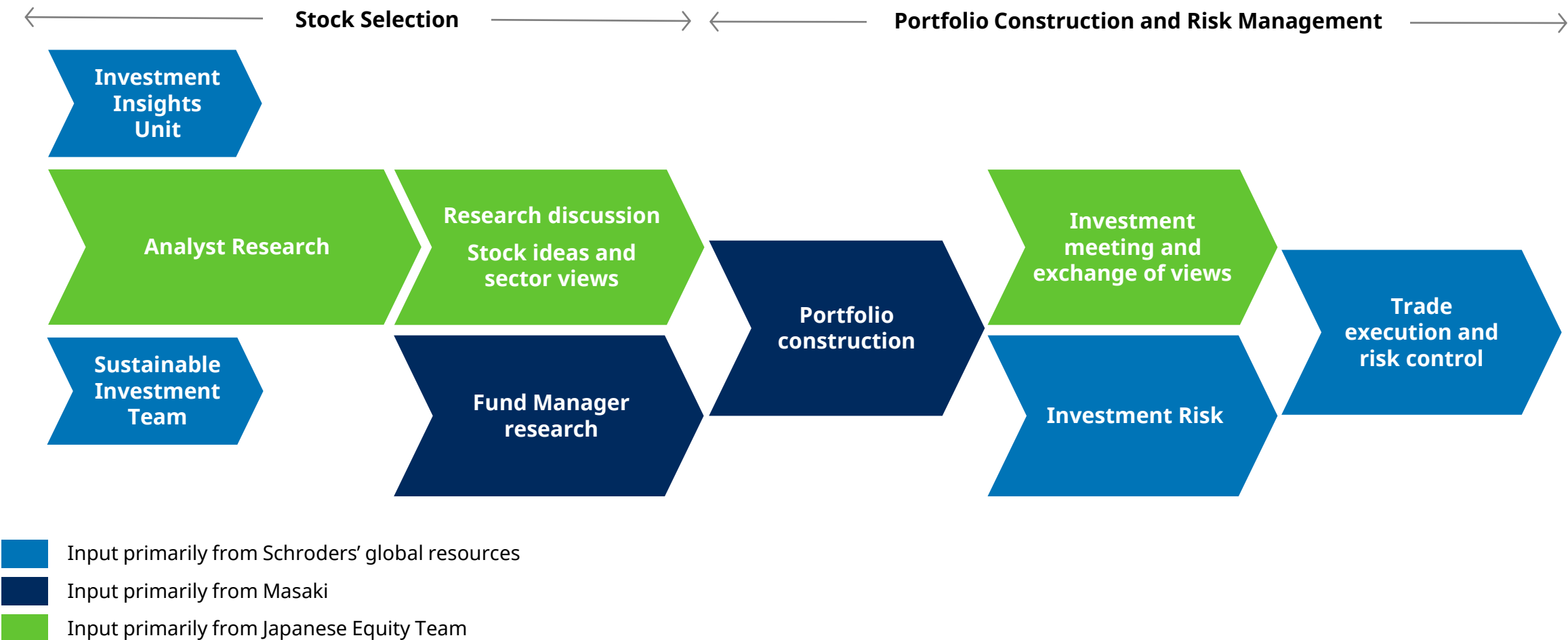
Fund Manager

- Lead manager for Tokyo Fund and Japan Trust plc since July 2019
- Joined Schroders in December 2007 as a sector analyst covering Technology sector and latterly assigned as Japanese equity fund manager in August 2017
- Joined Deutsche Securities Inc in 2005 as a Japanese equity research analyst covering the Industrial Electronics sector. With Deutsche Asset Management from 1998 to 2005 in various positions such as US Equity Fund Manager, US Equity Research Analyst and Japanese Equity Research Analyst. Investment career commenced in 1994 upon joining Nikko Investment Trust Management as a Non-Japanese Equity Portfolio Manager
- CFA charterholder. Chartered Member of the Security Analysts Association of Japan (CMA)
- BA in Economics, Keio University

Source: Schroders, as at 30 September 2023.

Idea Generation from In-House Research

Leveraging Schroders' Global Resources



Source: Schroders, as at 30 September 2023

Research Evolution

Transition to a new approach, further leveraging our core strength

Core Edges

- ✓ Experienced analyst team
- ✓ Research coverage that emphasizes the expertise of analysts and focuses on small and medium-sized companies
- ✓ Consistent research process, including a common fair value model with a medium to long-term perspective
- ✓ Emphasis on ESG and stewardship initiatives
- ✓ Mechanism to align the goals and perspectives of fund managers and analysts



New Approach

- ✓ Emphasis on **flexibility** and **agility**
- ✓ Removing sector boundaries, large/medium/small company boundaries, and analyst/fund manager role frameworks for research conducted by the entire team
- ✓ Introducing **“Investment Thesis”** and **“KPIs”** as a common language for evaluating the investment ideas, monitoring the progress of Investment Thesis and investment rationales, which will drive portfolio decisions.

Source: Schroders, as at 30 September 2023.

Research Coverage

New approach to sector coverage with focus on flexibility and agility

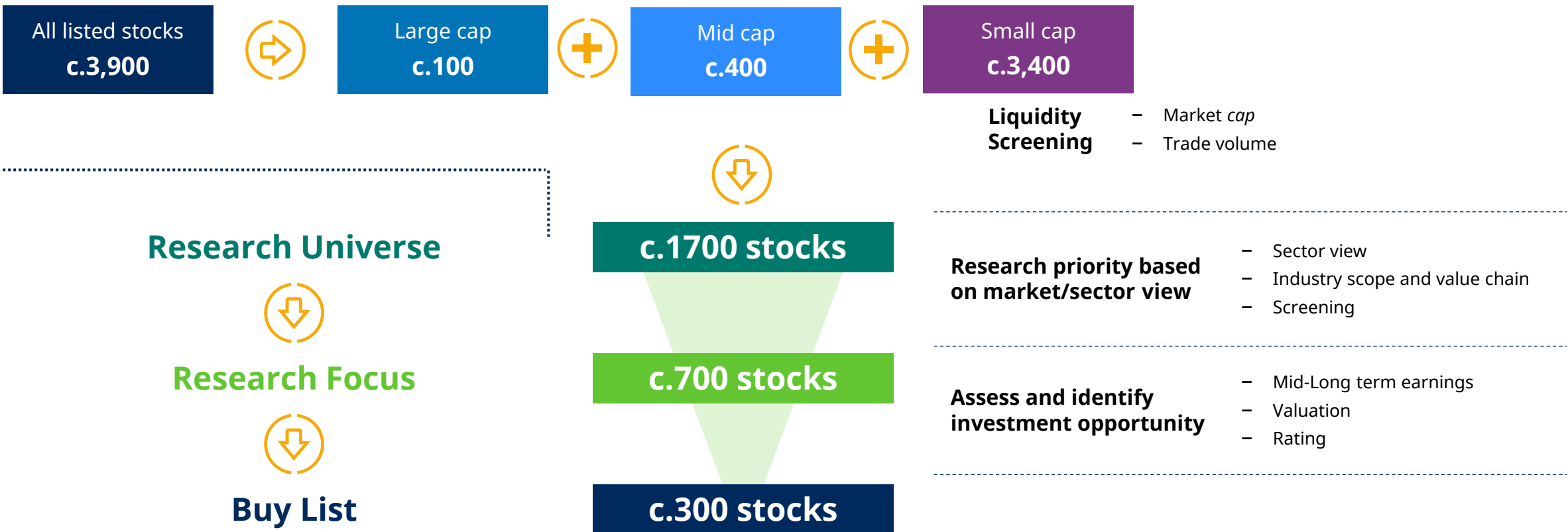
	Joshua Bennison	Takuya Furutani	H. Jun Kim	Madoka Sato	Kazuko Yabutani	Akira Namegawa	Kentaro Sasaki	Tatsuya Ueda	Ayumi Kobayashi	Hiromi Mori
Energy	◎	○								
Materials	◎	◎						◎	◎	
Automobiles / Auto Parts		◎	◎				○		○	
Industrials / Services	◎	◎	◎			○	◎	◎	◎	
Healthcare				◎			○		◎	
Financials					◎				○	
Information Technology	○	◎	○			◎	◎		◎	
Telecommunication Services						◎				
Utilities	◎							○		
Consumer Staples		○				◎			○	◎
Consumer Discretionary / Services		○	○		○	◎	◎	◎	◎	◎
Real Estate					◎			○	○	

◎ : Primary Coverage
○ : Secondary Coverage

Source: Schroders, as at 30 September 2023.

Research Universe

Narrowing down to investment ideas from broad universe

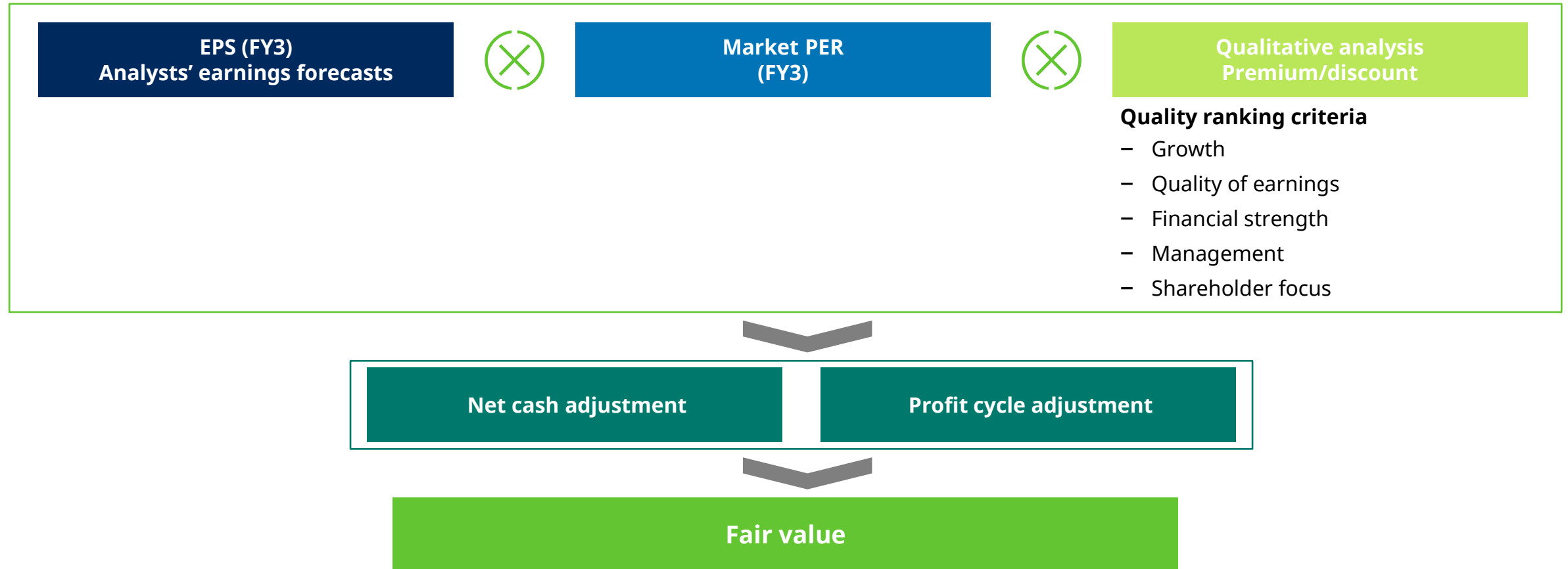


Source: Schroders, as at 30 September 2023.

Fair value model

Valuation discipline

Fund managers and analysts discuss fair values and stock grading proposed by analysts

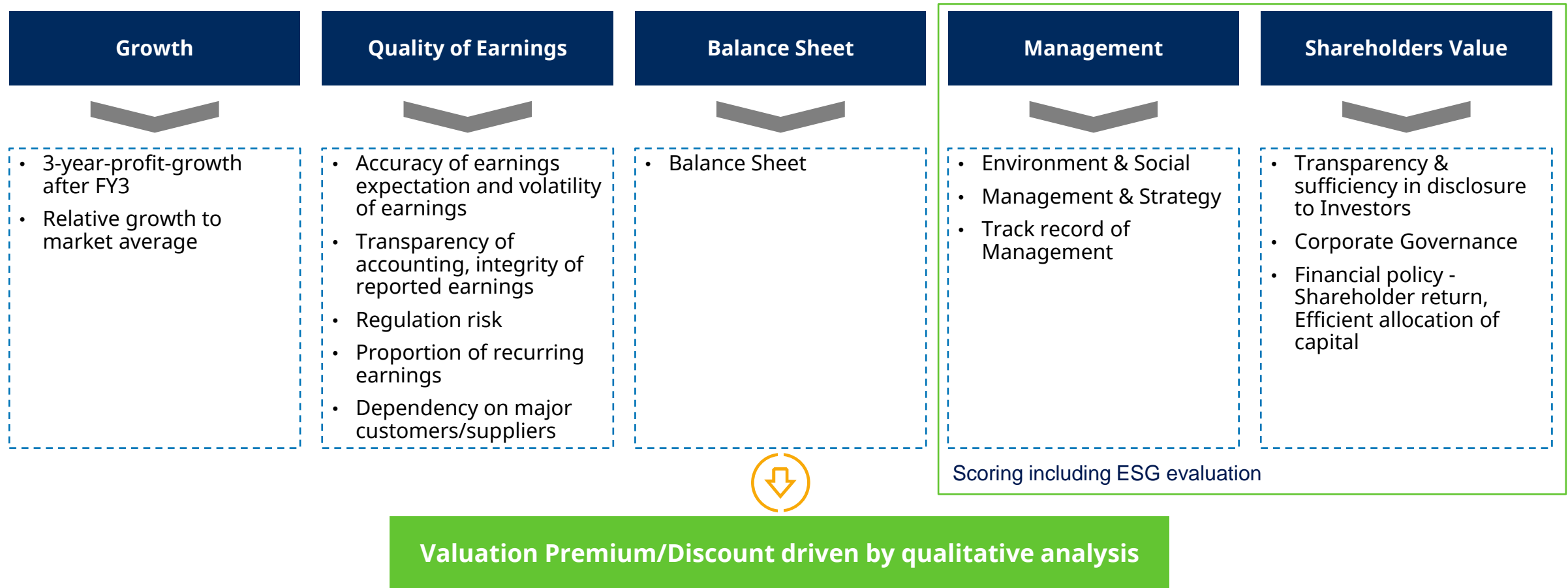


Source: Schroders, as at 30 September 2023

Fair value model

Qualitative evaluation

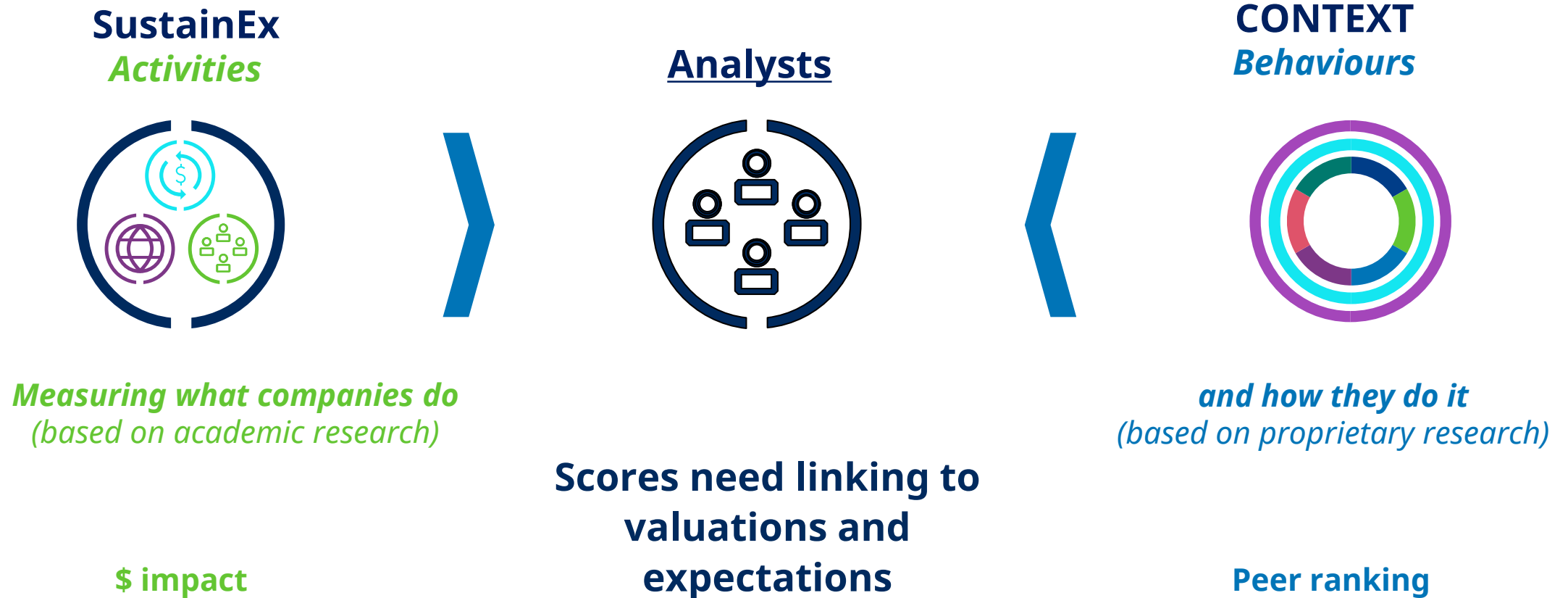
Scoring premium/discount from qualitative analysis



Source: Schroders, as at 30 September 2023

SustainEx and CONTEXT: Two proprietary tools

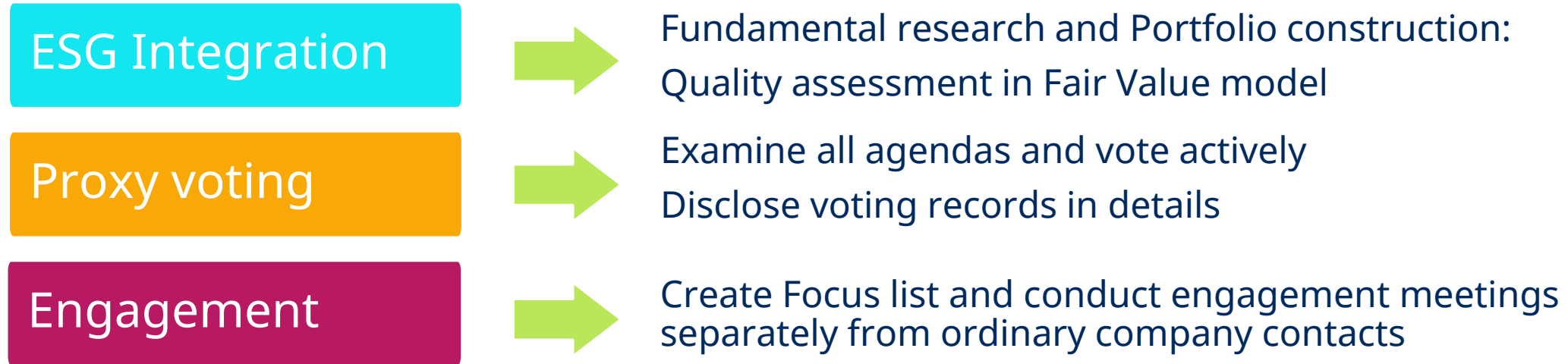
Take the debate about sustainability away from anecdotes and towards specifics



Source: Schroders, as at 30 September 2023

ESG approach in Japan

ESG integration and Stewardship activities



Stewardship Committee is a control center of ESG initiatives in Japan, liaising closely with London based ESG team

- **Kazuhiro Toyoda, Fund manager, the Chairman of Committee**
- Natsuki Iida, Sustainable Equity Analyst
- Kazuko Yabutani, Analyst
- Takuya Furutani, Analyst
- Takafumi Miura, Fund manager

Source: Schroders, as at 30 September 2023

Sustainability at Schroders

Our experience and expertise

21+
years

ESG integration

50+

Dedicated
ESG
specialists

With
300+ years

Combined investment
experience

**Fully ESG
Integrated**



Across our managed assets

2,100+

Engagements
in 2021

Across
58

Countries
globally

10

Proprietary investment
tools and frameworks

13,000+

Companies covered by our
portfolio-level sustainability
reporting tools

A+

UN PRI annual
assessment¹

1st

Asset manager to tie
their cost of capital to
sustainability goals

UN



global compact

Signatory

**Net Zero
Asset Manager**

Founding member of
initiative

Source: Schroders, March 2023 unless otherwise stated. ¹PRI, 2015 - 2020 Assessment Reports. ²For certain businesses acquired during the course of 2020 and 2021 we have not yet integrated ESG factors into investment decision-making. There are also a small number of strategies for which ESG integration is not practicable or now possible, for example passive index tracking or legacy businesses or investments in the process of or soon to be liquidated, and certain joint venture businesses are excluded.

ESG integration

Embedded in our culture and investment process

Thematic research

- Examines key sustainability trends and challenges current thinking
- Focused on investment impacts



Communication

- ESG specialists sit amongst investment teams to facilitate regular dialogue
- Research and engagements shared on global research platform
- Monthly Sustainability Investor Group meeting to discuss research insights and upcoming agenda



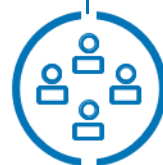
Proprietary ESG tools

- Investment-driven ESG tool, CONTEXT
- SustainEx
- Country Sustainability Dashboard
- Carbon Value at Risk
- Physical Risk



Training

- ESG training for new joiners and existing analysts
- Sector specific training
- Investment desk training
- Regular sector specific news and research updates



ESG Analysis

- ESG specialists work with research analysts to understand key ESG issues and evaluate impact on the investment case
- ESG analysis included in research notes
- ESG specialists periodically review to highlight best practice and suggest improvements



Monitoring

- Ongoing monitoring of companies to identify emerging issues and candidates for engagement
- Collaboration with Data Insights team to track sustainability trends and negative events
- Quarterly screening of desk portfolios to identify holdings with poor ESG ratings



CONTEXT: Measuring relative strength of stakeholder relationships

Provides a framework for scoring companies relative to sector peers



Themes

735 global ESG trends for 47 sub-sectors



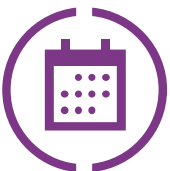
Metrics

~260 data points from ~80 sources



Companies

13,000+ companies covered



Engagement

Foundation of targeted engagement



CONTEXT

Analyst scores vs peers

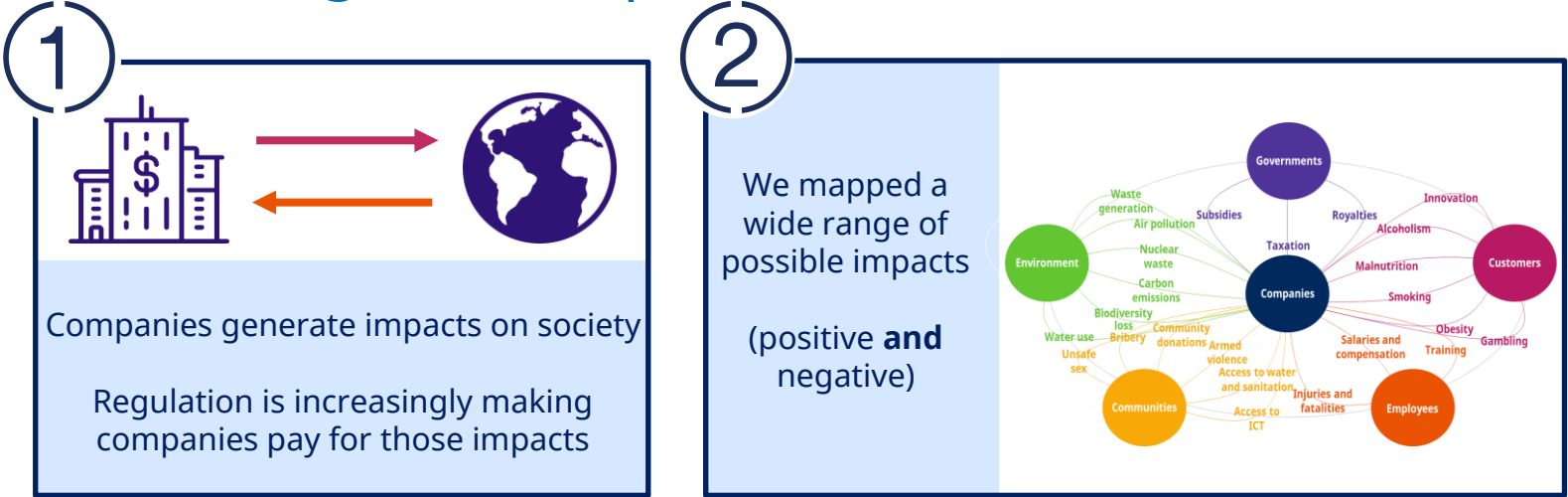
Japan Equities Analyst Weighted Scores



Source: Schroders. As at 30 September 2023.

SustainEx

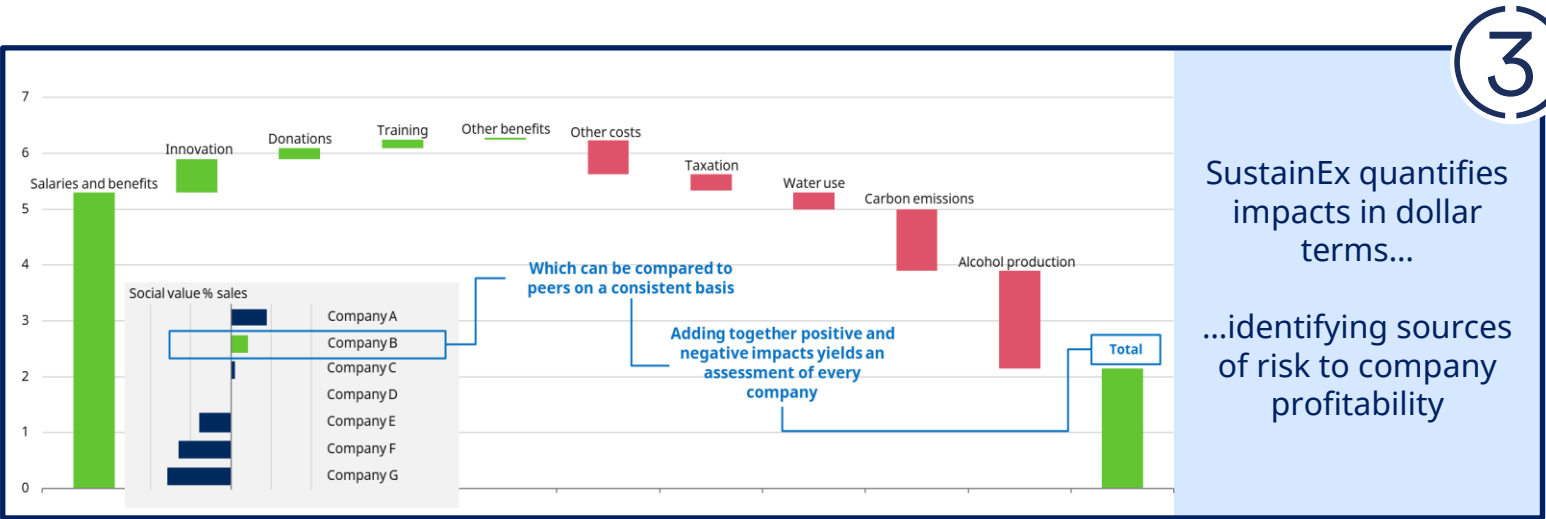
Translating social impacts into financial costs



A proprietary tool built on...

Over **1,000** academic and industry studies of social impacts and externalities

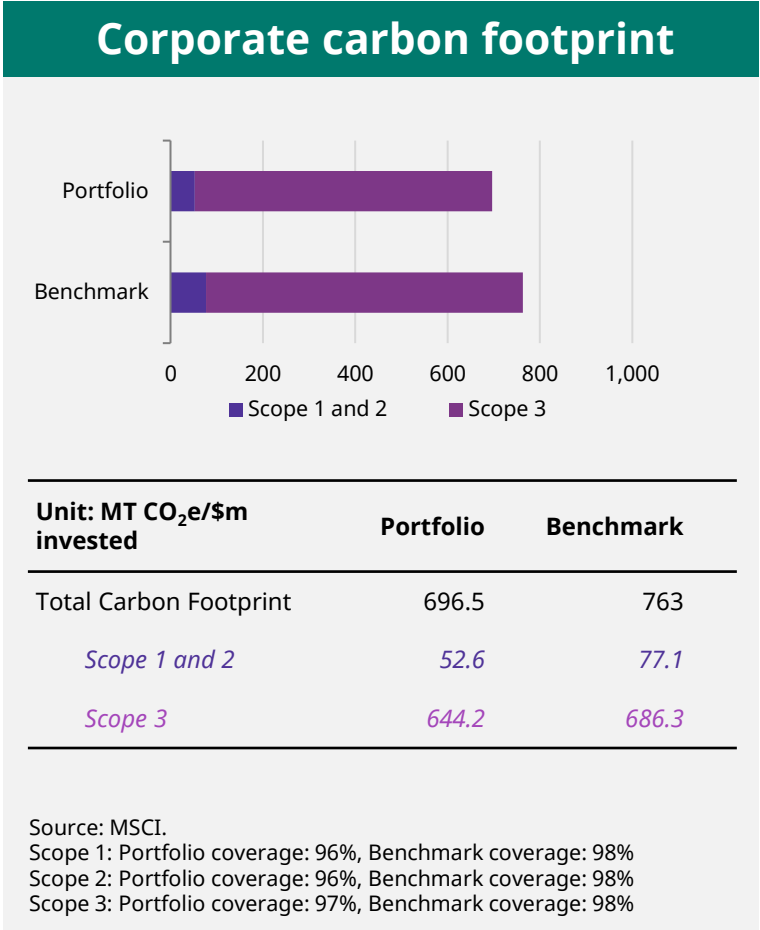
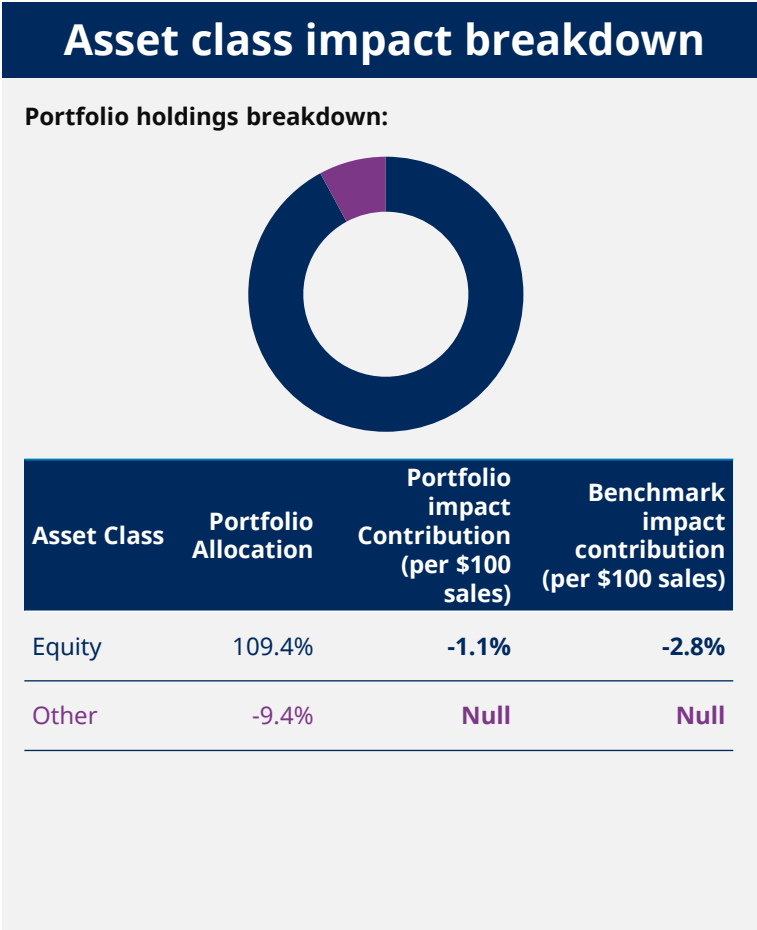
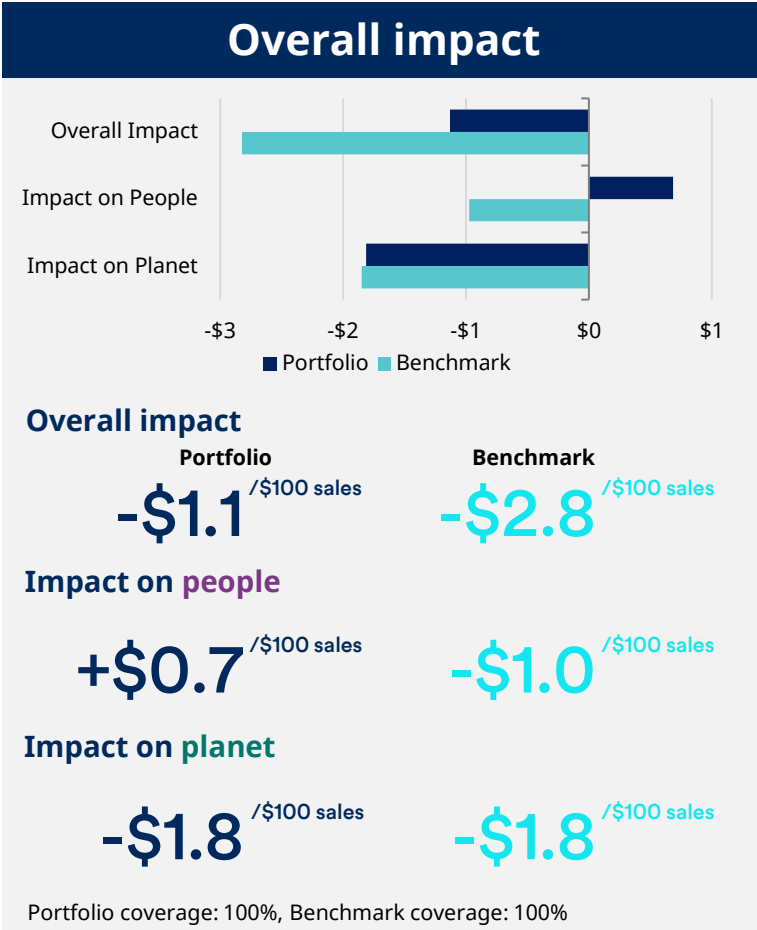
Over **70** data points for each asset, estimated where not disclosed



Source: Schroders, October 2022. Schroders uses SustainEx™ to estimate the net social and environmental “cost” or “benefit” of an investment portfolio having regard to certain sustainability measures in comparison to a product’s benchmark where relevant. It does this using third party data as well as 49 Schroders own estimates and assumptions and the outcome may differ from other sustainability tools and measures.

Sustainability metrics overview

Schroder Japan Trust PLC (IT) as at 31 August 2023



Source: Schroders as at 31 August 2023. The 'Overall impact' score is based on Schroders' proprietary tool, SustainEx™. Overall impact is an indication of the impact of the Portfolio and benchmark. All holdings exclude cash and currency holdings. 'Impact on People' and 'Impact on Planet' indicate the Portfolio's underlying benefits and harms compared to its benchmark across the aggregated people and planet metrics, respectively. See definitions slide for more details.

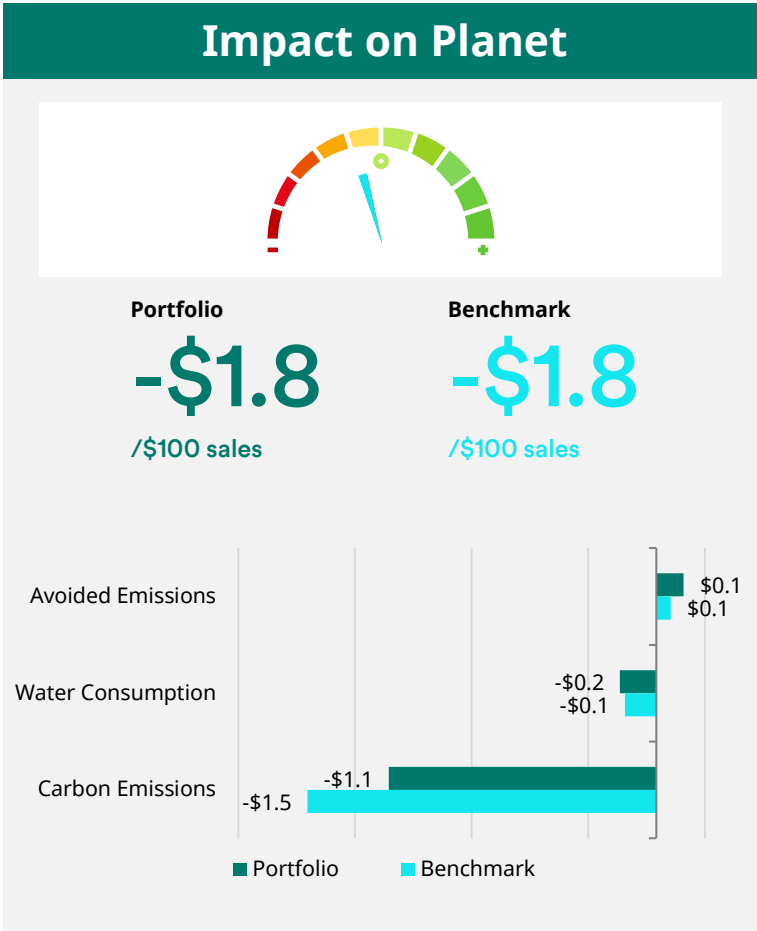
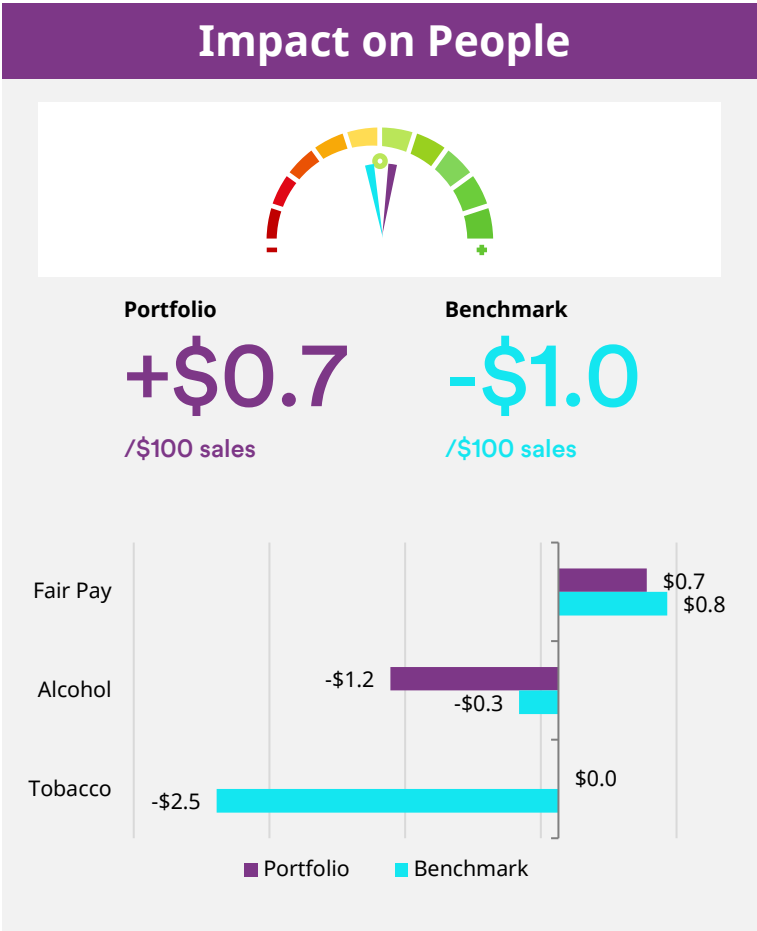
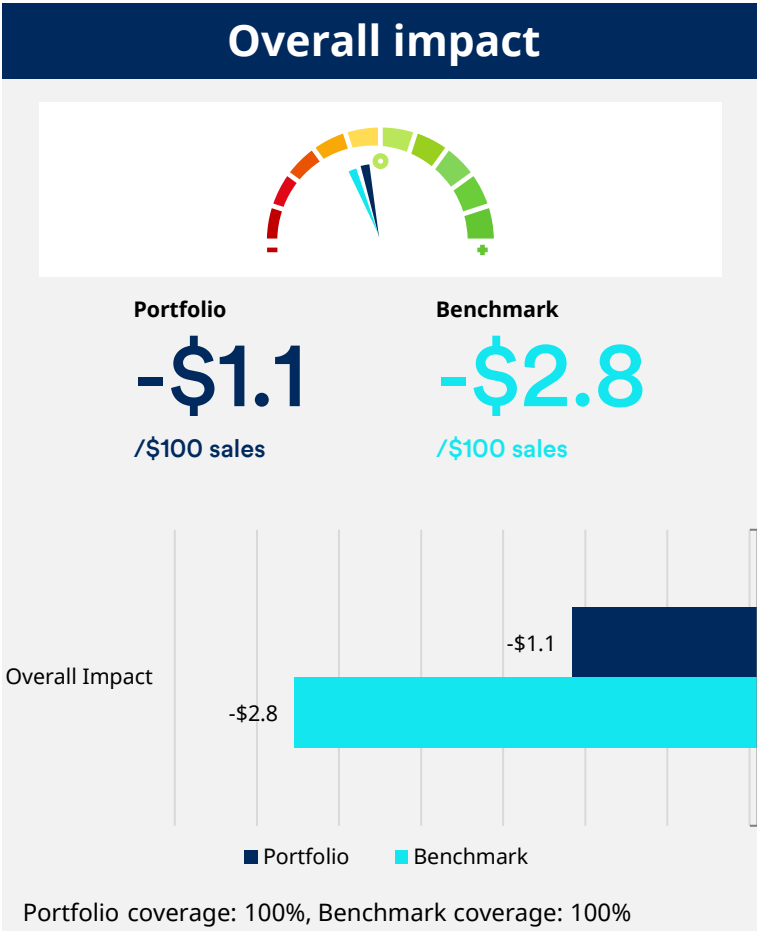
The 'Asset class contribution' provides a view of the fund's asset class allocation and how each of these contributes to the 'Overall impact' score compared to its benchmark.

MSCI as at 31 August 2023. The 'Carbon footprint' metric provides a view of the portfolio's carbon footprint, as well as a Scope 1 + 2 and 3 breakdown compared with the benchmark. The calculation methodology is in-line with TCFD recommendations and principal adverse indicators under SFDR. Please refer to the Sustainability definitions slide for more information.

Benchmark data TOPIX 1st Section (GBP).

SustainEx score summary

Schroder Japan Trust PLC (IT) as at 31 August 2023



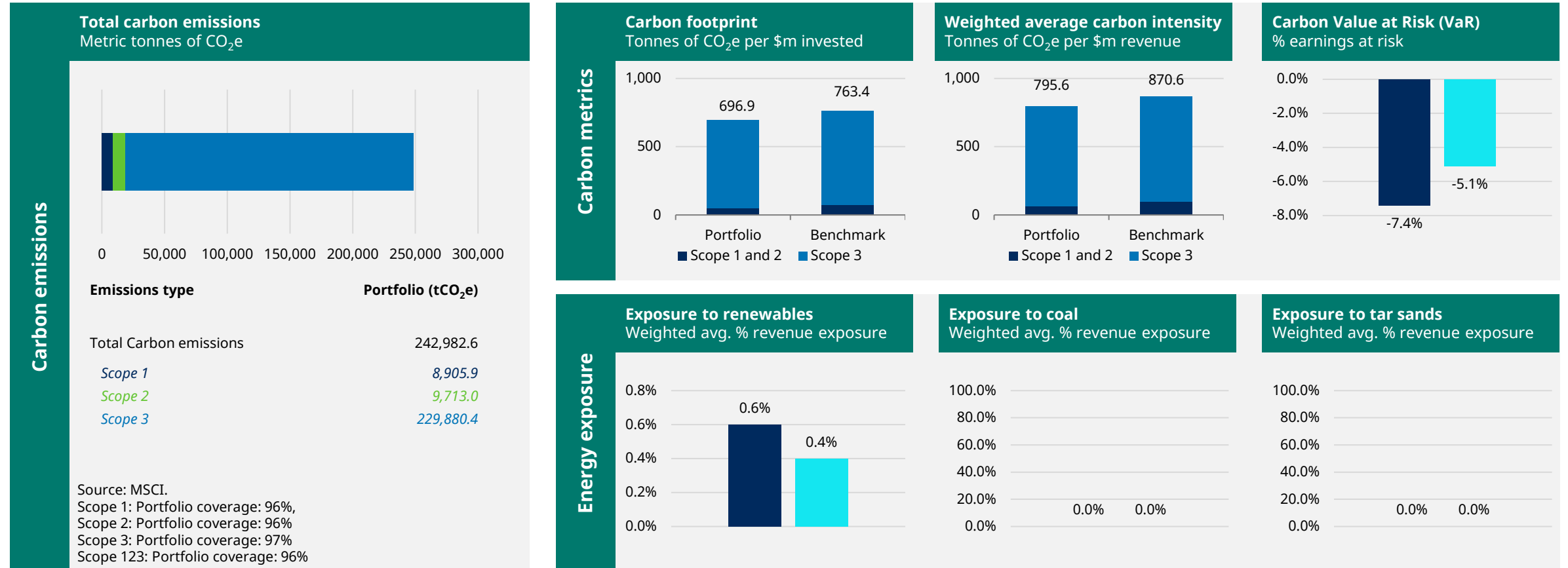
Source: Schroders as at 31 August 2023. The 'Overall impact' score is based on Schroders' proprietary tool, SustainEx™. Overall impact is an indication of the portfolio's impact compared to its benchmark. All holdings exclude cash and currency holdings. 'Impact on People' and 'Impact on Planet' indicate the portfolio's underlying benefits and harms compared to its benchmark across the aggregated people and planet metrics, respectively. See definitions slide for more details. Benchmark data TOPIX 1st Section (GBP). The three People and Planet metrics shown have been selected based on their significance to the overall score. They are not necessarily the main contributors to the portfolio score, nor should they sum to the 'Impact on People' or 'Impact on Planet' scores shown. Schroders uses SustainEx™ to estimate the potential "impact" that an issuer may create in terms of net social and environmental "costs" or "benefits" of that issuer. It does this by using certain indicators with respect to that issuer, and quantifying them positively and negatively to produce an aggregate notional measure of the effect that the relevant underlying issuer may have on society and the environment. It does this using third party data as well as Schroders own estimates and assumptions and the outcome may differ from other sustainability tools and measures. See the important information slides for additional disclosures.

Corporate Climate metrics

Schroder Japan Trust PLC (IT) as at 31 August 2023

Portfolio

Benchmark



Source: MSCI as at 31 August 2023. Total carbon emissions, carbon footprint and Weighted Average Carbon Intensity (WACI) use calculation methodologies in-line with TCFD recommendations and prescribed by SFDR Principal Adverse Impacts. Schroders as at 31 August 2023. Carbon VaR is a proprietary methodology that measures the impact of a carbon price of \$100/tonne on companies' earnings, modelling the impacts of higher supply chain and operating costs, assuming higher prices and consequently lower demand in each sector. Fossil fuel exposures calculated based on company revenue derived from coal extraction, tar sands (oil extraction), and/or renewables activities. This methodology will differ from Factsheets until the same revenue weighted methodology is included. Benchmark data TOPIX 1st Section (GBP). Our proprietary ESG tools are designed to enhance the research and evaluation process but do not guarantee favourable investment results. Please see the Important Information slides for additional disclosures on our ESG tools.

Corporate sustainability performance measures

Schroder Japan Trust PLC (IT) as at 31 August 2023

	Metric	Principal Adverse Impact	Unit	Portfolio	Coverage	Benchmark	Coverage
People	UNGC and OECD principal violators	Share of investments in companies that have been involved in violations of UNGC and OECD principal	%	0.0	93%	0.2	97%
	UNGC and OECD principal policies	Share of investment in companies without policies to monitor compliance with UNGC and OECD principal	%	44.5	93%	42.7	97%
	Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	%	25.0	2%	19.5	5%
	Board gender diversity	Average ratio of female to male board members in investee companies	%	20.5	93%	24.3	97%
	Exposure to controversial weapons	Share of investments in companies involved in the manufacture or selling of controversial weapons	%	0.0	100%	Null	Null
	Supplier code of conduct availability	Share of investments in companies without any supplier code of conduct (e.g. child and forced labour)	%	Null	Null	Null	Null
Planet	Total GHG emissions	Scope 1, 2 and 3 greenhouse gas emissions	Metric Tonnes	242,982.6	96%	Null	Null
	Carbon footprint	Carbon footprint	Tonnes of Co2 per €m invested	757.1	93%	827.1	97%
	Weighted Average Carbon Intensity	GHG intensity of investee companies	Tonnes of Co2 per €m sales	856.0	93%	934.0	97%
	Fossil fuel sector exposure	Share of investment in companies active in the fossil fuel sector	%	6.6	93%	9.1	97%
	Non-renewable energy exposure	Share of non-renewable energy consumption and production	%	82.5	45%	81.0	53%
	Exposure to activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with operations in or near biodiversity sensitive areas	%	0.0	93%	0.0	97%
	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested	Tonnes of emissions to water per €m invested	Null	Null	0.0	1%
	Hazardous waste ratio	Hazardous waste by investee companies per million EUR invested	Tonnes of hazardous waste per €m invested	0.1	16%	0.1	18%
	Exposure to companies without carbon emissions reduction initiatives	Investing in companies without carbon emission reduction initiatives aligned with the Paris Agreement	%	39.8	93%	33.6	97%

Source: MSCI as at the 31 August 2023.

The table above shows some of the indicators related to Principal Adverse Impacts (PAIs) of this portfolio and its benchmark, where applicable. The PAIs aim to show the potential for significant negative effects that investment decisions made in respect of the portfolio's portfolio have on sustainability factors. Sustainability factors are defined in the European Union's Sustainable Finance Disclosure Regulation (SFDR) as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. We also identify the coverage, which refers to the percentage of indicator data available at month-end for the underlying holdings of the portfolio and benchmark, where applicable. The aggregation of index level metrics has been calculated by Schroders and not MSCI. Benchmark Data: TOPIX 1st Section (GBP). Our proprietary ESG tools are designed to enhance the research and evaluation process but do not guarantee favourable investment results. Please see the Important Information slides for additional disclosures on our ESG tools.

Third party portfolio metrics

Schroder Japan Trust PLC (IT) as at 31 August 2023

Controversy metrics

Title	Portfolio	Benchmark
Sustainalytics % of AUM with High or Severe ESG risk	17.8%	16.6%
MSCI measure of UN Global Company violators	0%	0.2%

Morningstar ESG rating



MSCI ESG Rating



Morningstar ESG rating (Sustainalytics), MSCI ESG rating and UNGC violators as at 31 August 2023. All holdings exclude cash and currency holdings. Sustainalytics data is sourced at the previous month end to the month shown. Sustainalytics' rating evaluates how exposed a company is to unmanaged ESG risk. It is measured through a combination of corporate governance, material ESG issues and idiosyncratic issues (black swans). A weighted average is then used to calculate the portfolios exposure. The exposure to UN Global Compact (GC) violators metric is provided by MSCI and calculated based on the number of companies that have 'failed' MSCI's UNGC test. The possible outcomes are 'Pass,' 'Watch List' or 'Fail.' MSCI's portfolio ESG quality score is based on the weighted average of the underlying holdings, coupled with a momentum score to assess the portfolio's track record, and an assessment of tail risk (holdings deemed to be 'laggards'). Benchmark data TOPIX 1st Section (GBP).

Sustainability disclaimers

Schroder Japan Trust PLC (IT)

Overall Impact

The Schroders Impact Score is based on Schroders' proprietary tool, SustainEx™. SustainEx™ provides an estimate of the potential societal or environmental impact that may be created by the companies and other issuers in which the portfolio is invested. The result is expressed as a notional percentage (positive or negative) of sales of the relevant underlying companies and other issuers. For example, a SustainEx™ score of +2% would mean a company contributes \$2 of relative notional positive impact (i.e. benefits to society) per \$100 of sales.

We calculate SustainEx™ scores for companies and other issuers in the portfolio to arrive at the total portfolio score.

The "Overall Impact" shown is a measure of the portfolio's estimated impact compared to that of its benchmark, in each case calculated as a relative notional percentage as described above.

The "Impact on People" and "Impact on Planet" measure the portfolio's estimated underlying benefits and harms, as compared to its benchmark, in each case calculated as a relative notional percentage as described above.

Impact scores: These are generated using Schroders' proprietary tool, SustainEx™, which provides an estimate of the potential social or environmental impact that a company or other issuer may create. It does this by using certain metrics with respect to that issuer and quantifying the positive and negative impacts of each of those metrics in economic terms to produce an aggregate measure. Not all of those metrics are represented in the impact scores on 'People' and 'Planet' and how those scores are generated may change over time. It utilises and is reliant on third party data (including third party estimates) as well as Schroders' own modelling assumptions, and the outcome differs from other sustainability tools and measures. Where SustainEx™ relies on data and estimates produced by third parties, Schroders seeks to ensure that such data and estimate are accurate, but Schroders cannot and does not warrant the accuracy, completeness and adequacy of such third party data and estimates. Like any model, SustainEx™ will evolve and develop over time as Schroders continues to assess, refine and add to the metrics and their relative contributions. Generating SustainEx™ scores involves an element of judgment and subjectivity across the different metrics chosen by Schroders, and accordingly Schroders does not accept any liability arising from any inaccuracy or omission in, or the use of or reliance on, SustainEx™ scores. As the model evolves, changes made to how metrics are applied may result in changes to the SustainEx™ score of any issuer and ultimately the overall portfolio/ portfolio score. At the same time, of course, the issuer's SustainEx performance might improve or deteriorate. Schroders' proprietary tools, including SustainEx, may not cover all of the portfolio's holdings from time to time, in which case Schroders may use a range of alternative methods to assess the relevant holding. In addition, certain types of assets (such as cash and certain equivalent securities) are treated as neutral and are therefore not considered by our proprietary tools. Other types of assets such as equity indices and index derivatives may not be considered by our proprietary tools and if so would be excluded from a portfolio's sustainability score. The SustainEx scores show month-end data. Where a portfolio maintains a higher overall sustainability score than its sustainability benchmark based on the investment manager's rating system, this means that the portfolio's weighted average score in SustainEx over the previous six month period will be higher than the benchmark's score in SustainEx over the same period, based on month-end data. Where a portfolio has different sustainability criteria, the portfolio's weighted average score in SustainEx is shown here for information and illustrative purposes only.

MSCI ESG Research rating: Produced by MSCI ESG Research as of the "reporting date". MSCI ESG Research LLC's ("MSCI ESG") portfolio Metrics and Ratings (the "Information") provide environmental, social and governance data with respect to underlying securities within more than 31,000 multi-asset class mutual portfolios and ETFs globally. MSCI ESG is a registered investment adviser under the U.S. Investment Advisers Act of 1940. MSCI ESG materials have not been submitted to, nor received approval from, the U.S. Securities and Exchange Commission or any other regulatory body. None of the Information constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy, nor should it be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. The Information should not be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided "as is" and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.

Sustainalytics: Sustainalytics provides company-level analysis used in the calculation of Morningstar's Sustainability Rating [Historical Sustainability Score]. © 2020 Morningstar. All rights reserved. The rating of the portfolio: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of the rating. Past performance is no guarantee of future results.

Data Reset: The data for this report was changed on the 21st April 2023 and, as a consequence, some numbers may vary to those shown on Fund related Factsheets for 31st March 2023.

Sustainability definitions

Schroder Japan Trust PLC (IT)

Corporate SustainEx™ Impact metrics:

Alcohol: Societal cost of alcohol consumption (assigned to alcohol producers).

Armaments production: Societal costs from both international organised conflict and intra-state conflict (such as gang violence). Assigned in proportion to company market share of weapons sales.

Avoided carbon emissions: Environmental and societal benefits of activities and technologies that enable system-wide reductions in carbon emissions, including companies' products and services and country investments in clean energy. Assigned in proportion to the social benefit from avoided emissions which is attributed per unit of the product or service that delivers the emission savings.

Carbon emissions: Environmental and societal cost of carbon emissions (Scopes 1,2 and 3). Assigned in proportion to country GHG emissions data.

Connectivity: Societal benefits from companies' that enable and/or support the connection of communities through telecommunication services. Assigned in proportion to the global benefit of access to global communication technologies and attributing that benefit to individual companies based on their share of global revenues from telecommunication and internet connectivity markets, including social media companies.

Contraception: Societal benefits attained from the production and supply of contraceptives. Assigned in proportion to company market share of global revenue.

Corruption: Societal costs, to both developed and developing economies, associated with a nations estimated level of corruption. Company exposure is calculated based on regional exposure.

Community donations: Societal benefits from a companies philanthropic donations. Measured based on the monetary value of the sum donated.

Fair pay: Societal benefits or costs of companies over- or under-paying staff relative to local living wages (for regions in which they operate). Assigned in proportion to the surplus or deficit company's' are paying employees compared to the average living wage.

Fatalities: Societal costs associated with on-the-job fatalities. Measured based on the number of fatalities reported by a company.

Fertilizer: Societal costs of the over-application of nitrogen, phosphorous and other nutrients for the purposes of agricultural production to land and water-based ecosystems. Assigned in proportion to company market share of sales.

Financial inclusion: Societal benefits from the provision of financial services on local populations. Assigned in proportion to company market share of global revenue.

Financial stability: Societal costs associated with the top 40 global systemically important banks to financial instability. Assigned in proportion to company market share of listed entities.

Food-borne illness: Societal costs associated with the outbreak of food-borne illness to economic productivity. Assigned in proportion to company market share of global revenue.

Food waste: Societal costs from food waste arising through methane production from anaerobic digestion and wasted water consumption. Cost is allocated based on both the phase of the waste value chain and the company's revenue in proportion to market share.

Gambling: Societal costs arising from policing, crime and lower productivity as a result of excessive gambling. Assigned in proportion to company market share of global revenue.

Heavy metals production: Societal costs arising from the production of heavy metals. Assigned in proportion to company market share of global revenue.

Injuries: Societal costs arising from lower productivity, lower quality of life and medical expenses. injuries at the place of work. Assigned based on the estimated number of injuries experienced by a company.

56 Source: Schroders.

Corporate SustainEx™ Impact metrics (continued):

Innovation: Societal benefits arising from the investment in R&D. Assigned based on the unitary benefit of R&D spend, or estimated based on company patent applications.

Medicine: Societal benefits arising from the additional social value the sale of such products and services exhibits of the wider economy. Benefit calculated is dependent on the company's involvement in the healthcare value chain and proportion of company market share to global sub-sector revenue.

Mining waste creation: Societal cost associated with the production of methane by the mining industry. Assigned in proportion to company reported waste creation.

Nitrogen Oxides (NOx): Societal costs associated with the impact on human health from the combustion of fuels in air to create NOx. Assigned based on reported NOx emissions.

Nuclear waste: Societal costs associated with the storage and perceived risks associated with accidents. Assigned in proportion to company market share of global revenue.

Over-fishing: Societal costs associated with the unsustainable removal of a species of fish quicker than it can replenish. Assigned in proportion to company market share of global revenue.

Pesticides: Societal costs associated with the spill over effects on biodiversity and human health. Assigned in proportion to company market share of global revenue.

Plastics manufacturing: Societal costs associated with plastics. Assigned in proportion to a company's share of plastic production revenues.

Power Provision: Societal benefits of access to power and electricity. Assigned in proportion on a company's share of power provision revenues.

Predatory lending: Societal costs associated with unfair loans to customers (such as payday lending). Assigned in proportion to company market share of global revenue.

Sewerage and sanitation: Societal benefits associated with the provisions of products and services that tackle poor sanitation, lack of safe water and hygiene. Assigned in proportion to company market share of global revenue.

Sulphur Oxides (SOx): Societal costs associated with the impact of sulphur dioxides on human health. Assigned based on reported SOx emissions.

Taxation: Societal costs associated with tax revenue lost through tax avoidance/evasion due to company tax practices. Calculated based on the difference of the statutory and effective tax rate in the jurisdictions of operations, as well as some additional tax flags (multipliers) such as tax controversies.

Tobacco: Societal cost of smoking (assigned to tobacco producers). Assigned in proportion to company market share of global revenue.

Training: Societal benefit associated with a more highly skilled workforce, both to the company and society. Assigned based on company spending on employee training.

Volatile Organic Compounds (VOCs): Societal costs associated with the health impacts from volatile compounds. Assigned based on reported waste creation.

Waste creation: Societal costs from the disposal of waste and the pollution from incineration. Assigned based on reported waste creation.

Water access: Societal benefits associated with the benefits to human health from the provision of clean drinking water. Assigned in proportion to company market share of global revenue.

Water consumption: Environmental and societal cost of companies' and countries' freshwater withdrawal. Assigned based on reported water usage.

Sustainability definitions and disclaimers

Schroder Japan Trust PLC (IT)

Corporate carbon metrics

Total carbon emissions: The absolute greenhouse gas emissions associated with a portfolio, expressed in tonsCO₂e. Methodology is aligned to “total carbon emissions” as defined by TCFD and The EU's Sustainable Finance Disclosures Regulation

Carbon footprint: A weighted-average measure of company greenhouse gas emissions per \$ million of enterprise value. Methodology is aligned to “carbon footprint” as defined by TCFD and The EU's Sustainable Finance Disclosures Regulation

Weighted Average Carbon Intensity (WACI): A weighted-average of company emissions per \$million of sales. Methodology is aligned to “weighted average carbon intensity” as defined by TCFD and “GHG intensity” under the EU's Sustainable Finance Disclosures Regulation

Carbon Value-at-Risk (VaR): A model developed by Schroders to measure the potential impact on companies' earnings of raising carbon prices to \$100 per tonne.

Coal* exposure: Measures the weight of the portfolio exposed to companies deriving revenue from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It excludes: revenue from metallurgical coal; coal mined for internal power generation (e.g. in the case of vertically integrated power producers); intra-company sales of mined thermal coal; and revenue from coal trading.

Sub-portfolios that are categorised as Article 8 or Article 9 under SFDR apply a revenue-based exclusion on companies operating in the coal sector. Companies generating more than 10% of their revenue from thermal coal extraction and/or 30% of their revenue from coal-fired power are systematically excluded. Some sub-portfolios apply a more stringent exclusion criterion. Please refer to the portfolio sustainability disclosures for more details. Any portfolio exposure to coal reflects investments in companies whose coal-related revenues are below the accepted threshold.

Tar sands* exposure: Measures the weight of the portfolio exposed to companies deriving revenue from oil sands extraction for a set of companies that own oil sands reserves and disclose evidence of deriving revenue from oil sands extraction. This factor does not include revenue from non-extraction activities (e.g. exploration, surveying, processing, refining); ownership of oil sands reserves with no associated extraction revenues; revenue from intra-company sales.

Renewable energy: Measures the weight of the portfolio exposed to companies deriving revenue from biomass, geothermal, solar, wave or wind power.

Important information

Marketing material

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall.

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