

Schroder Japan Growth Fund plc

Half Year Report and Accounts for the six months ended 31 January 2015



Schroders

Investment Objective, Directors and Advisers

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 over the longer term.

Directors

Jonathan Taylor (Chairman)
Anja Balfour
Richard Greer
John Scott

Alternative Investment Fund Managers (AIFM) Directive

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

Non-Mainstream Pooled Investments (NMPI) status

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

Advisers

Alternative Investment Fund Manager ("Manager")

Schroder Unit Trusts Limited
31 Gresham Street
London EC2V 7QA

Investment Manager and Company Secretary

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA
Telephone: 020 7658 3206

Registered Office

31 Gresham Street
London EC2V 7QA

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lending Bank

Scotiabank Europe PLC
201 Bishopsgate
London EC2M 3NS

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
7 More London Riverside
London SE1 2RT

Corporate Broker

Panmure Gordon (UK) Limited
One New Change
London EC4M 9AF

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Shareholder Helpline

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Website: www.shareview.co.uk

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

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Financial Highlights

Total returns (including dividends reinvested)	For the six months ended 31 January 2015
Net asset value ("NAV") per share ¹	12.1%
Share price ¹	11.3%
Benchmark ²	8.9%

	31 January 2015	31 July 2014	% Change
Shareholders' funds (£'000)	191,956	173,455	+10.7
Shares in issue	125,008,200	125,008,200	–
NAV per share	153.55p	138.75p	+10.7
Share price	135.75p	123.75p	+9.7
Share price discount to NAV per share	11.6%	10.8%	
Gearing ³	13.0%	12.8%	

¹Source: Morningstar.

²Source: Thomson Financial Datastream. The Company's benchmark is the TSE First Section Total Return Index (TOPIX) (in Sterling terms).

³Gearing represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

Ten Largest Investments

As at 31 January 2015

Company and activities	Market value of holding £'000	% of total equity shareholders' funds
Toyota Motor Automobile manufacturer	12,738	6.6
Bridgestone Tyre manufacturer	7,517	3.9
Hi-Lex Automobile cables manufacturer	7,376	3.9
KDDI Telecommunication services	7,332	3.8
East Japan Railway Railway company	6,209	3.2
Sompo Japan Nipponkoa Insurance company	6,161	3.2
Mitsui General trading company	6,022	3.2
SK Kaken Paint manufacturer for the construction industry	5,829	3.0
Sumitomo Mitsui Financial Banking and other financial services	5,540	2.9
Nippon Telephone & Telegraph Telecommunication services	4,977	2.6
Total	69,701	36.3

At 31 July 2014, the ten largest investments represented 35.9% of total equity shareholders' funds.

Comparison of the Portfolio Sector Distribution with the TSE First Section Index as at 31 January 2015

	Valuation £'000	% of Portfolio	% of Index
Electrical appliances	25,183	11.5	12.8
Transportation equipment	25,102	11.5	11.9
Chemicals	21,810	10.0	6.2
Retail trade	18,147	8.3	4.2
Wholesale trade	16,141	7.4	4.0
Banks	15,619	7.2	8.6
Land transportation	13,841	6.4	4.3
Information and communication	12,794	5.9	7.0
Machinery	11,300	5.2	5.2
Insurance	10,262	4.7	2.4
Pharmaceutical	9,523	4.4	5.0
Rubber products	7,517	3.5	1.0
Construction	4,722	2.2	2.6
Air transportation	4,082	1.9	0.7
Securities and commodity futures	3,842	1.8	1.3
Precision instruments	3,635	1.7	1.5
Non-ferrous metals	2,821	1.3	0.9
Oil and coal products	2,559	1.2	0.5
Other products	2,462	1.1	1.3
Real estate	2,299	1.1	2.9
Marine transportation	1,100	0.5	0.4
Iron and steel	1,046	0.5	1.5
Foods	948	0.4	4.2
Mining	739	0.3	0.4
Services	–	–	3.0
Electric power and gas	–	–	2.2
Other financing business	–	–	1.1
Glass and ceramic products	–	–	0.9
Textiles and apparels	–	–	0.8
Metal products	–	–	0.7
Pulp and paper	–	–	0.2
Warehousing and harbour transport	–	–	0.2
Fishery, agriculture and forestry	–	–	0.1
Total	217,494	100.0	100.0

Interim Management Report – Chairman's Statement

Performance

The six-month period to 31 January 2015 has seen strong performance by the Company, both in relative and absolute terms. The Company's Net Asset Value (NAV) produced a total return of 12.1%, outperforming the Benchmark Index, which produced a total return of 8.9%. The share price produced a total return of 11.3% during the period.

Further performance details are set out in the Manager's Review on page 5.

Gearing policy

The Company's borrowings, obtained via a revolving credit facility, remained constant during the period at yen 5 billion. The gearing continues to be operated within the limits agreed by the Board. At the beginning of the period, the effective gearing ratio (borrowings used for investment purposes less cash expressed as a percentage of net assets) was 12.8% and the level had marginally increased to 13.0% at 31 January 2015.

Outlook

Japan's stock market has had almost everything it could have wanted over the past six months. The central bank committed itself to another major infusion of liquidity; the price of oil collapsed; the ruling party was re-elected so Abenomics continues; and there have even been positive developments in corporate governance. A weaker yen eroded gains for overseas investors but this has been more than compensated for by the rise in stock prices, so much so that the Company's NAV set another all-time high.

While the profitability of exporters and energy-users has been boosted by these factors, investors also want to see a sustained improvement in domestic growth. One sign will be this spring's wage negotiations, where a decent increase in pay levels would be seen as evidence that both management and the labour force are becoming more optimistic. Evidence that Japan is dragging itself out of deflation could lead to a further material increase in share prices.

Jonathan Taylor

Chairman

30 March 2015

Interim Management Report – Manager's Review

Market background

The Company's NAV produced a total return of 12.1% over the six months to 31 January 2015, outperforming the benchmark which rose 8.9% in sterling terms.

Economic data generally disappointed over the period with consumer confidence taking longer to recover from the consumption tax increase than expected. However the market responded positively to subsequent policy stimulus, in particular additional quantitative easing and postponement of the second consumption tax increase. The yen weakened only slightly over the period.

The sharp fall in the oil price dominated sector performance with beneficiaries such as airlines and tyre manufacturers performing best, and upstream commodity producers such as oil and trading companies the worst.

For the portfolio, stock selection in telecoms (being overweight KDDI and not owning Softbank) made the most positive contribution to relative performance. Stock selection within financials and technology (Disco and TDK) was also positive. Exposure to commodity price sensitive sectors (trading companies and plant engineer JGC) was a drag, partly offset by owning Bridgestone and Japan Airlines.

Activity

We continued to take profits in some of the small cap positions which had performed strongly such as SK Kaken (paint producer) and Hi-Lex (auto components). We also trimmed electronic component holdings TDK and Nidec and reinvested the proceeds in Iggard Shinko Electric in the same sector. We started new holdings in Toshiba Tec (leading manufacturer of Point of Sales systems growing in the US market) on price weakness. The boom in tourism to Japan has been reflected in strong share prices at beneficiaries such as bullet train operator Central Japan Railway, and we used the opportunity to take some profits. We added to financials, one of the weakest areas in 2014.

Outlook

The stock market (in terms of the broad Topix index) has risen to an 8 year high in the month following the Company's half year end. This may invite short term profit-taking but we believe that the fundamental outlook for the stock market remains relatively positive in terms of economic performance, falling oil prices and economic policy backdrop. The pace of profits growth may slow but looks likely to remain positive. In addition new incentives to improve corporate governance and balance sheet efficiency, such as the introduction of a Corporate Governance Code, are being reflected in enhanced dividends and buy-back activity. It is also encouraging that, amongst domestic investors, the shift from disproportionately bond-centric portfolios held by large public pension funds more in favour of equities, is taking place.

Investment policy

The portfolio retains a moderate bias towards companies that will benefit from a continued improvement in the economy. To the extent that this includes companies which suffer from lower commodity prices this has not worked in the short term, but share price reactions in these areas look excessive and valuations attractive. In addition the valuations on defensive growth sectors such as cosmetics and pharmaceuticals look stretched. We are overweight financials and favour insurance companies in particular. We have increased the overweight position in beneficiaries of domestic economic improvement such as retail by adding to existing holdings in the sector.

Net gearing was 13.0% at 31 January 2015 compared with 12.8% at the Company's July 2014 year end.

Schroder Investment Management Limited

30 March 2015

The securities referred to above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Interim Management Report

Principal risks and uncertainties

The principal risks and uncertainties with the Company's business fall into the following categories: financial risk; gearing; strategic risk and accounting, legal and regulatory risk. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 12 and 13 of the Company's published Annual Report and Accounts for the year ended 31 July 2014. These risks and uncertainties have not materially changed during the six months ended 31 January 2015.

Going concern

The Directors believe that, having considered the Company's investment objective, risk management policies, capital management policies and procedures, expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements.

Related party transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

No Director of the Company served as a director of Schroder Unit Trusts Limited, or any member of the Schroders plc group, at any time during the six months ended 31 January 2015.

Directors' responsibility statement

The Directors confirm that, to the best of their knowledge, this condensed set of financial statements has been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and with the Statement of Recommended Practice: Financial Statements of Investment Companies and Venture Capital Trusts, issued in January 2009. The Interim Management Report as set out above in the form of the Chairman's Statement and Manager's Review include a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure and Transparency Rules.

Income Statement

for the six months ended 31 January 2015 (unaudited)

	(Unaudited) for the six months ended 31 January 2015			(Unaudited) for the six months ended 31 January 2014			(Audited) for the year ended 31 July 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	-	19,954	19,954	-	(7,691)	(7,691)	-	(1,383)	(1,383)
Net foreign currency gains	-	373	373	-	2,383	2,383	-	3,168	3,168
Income from investments	1,740	-	1,740	1,609	-	1,609	3,793	-	3,793
Other interest receivable and similar income	-	-	-	-	-	-	1	-	1
Gross return/(loss)	1,740	20,327	22,067	1,609	(5,308)	(3,699)	3,794	1,785	5,579
Investment management fee	(232)	(541)	(773)	(280)	(653)	(933)	(551)	(1,285)	(1,836)
Administrative expenses	(257)	-	(257)	(247)	-	(247)	(432)	-	(432)
Net return/(loss) before finance costs and taxation	1,251	19,786	21,037	1,082	(5,961)	(4,879)	2,811	500	3,311
Finance costs	(34)	(78)	(112)	(35)	(82)	(117)	(71)	(166)	(237)
Net return/(loss) on ordinary activities before taxation	1,217	19,708	20,925	1,047	(6,043)	(4,996)	2,740	334	3,074
Taxation (note 4)	(174)	-	(174)	(117)	-	(117)	(339)	-	(339)
Net return/(loss) on ordinary activities after taxation	1,043	19,708	20,751	930	(6,043)	(5,113)	2,401	334	2,735
Return/(loss) per share (note 5)	0.83p	15.77p	16.60p	0.74p	(4.83)p	(4.09)p	1.92p	0.27p	2.19p

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 recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

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

Reconciliation of Movements in Shareholders' Funds

for the six months ended 31 January 2015 (unaudited)

	Called-up share capital £'000	Share premium £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2014	12,501	7	97,205	3	63,293	446	173,455
Net return on ordinary activities	–	–	–	–	19,708	1,043	20,751
Dividend paid in the period	–	–	–	–	(1,804)	(446)	(2,250)
At 31 January 2015	12,501	7	97,205	3	81,197	1,043	191,956

for the six months ended 31 January 2014 (unaudited)

	Called-up share capital £'000	Share premium £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2013	12,501	7	97,205	3	65,147	(1,955)	172,908
Net (loss)/return on ordinary activities	–	–	–	–	(6,043)	930	(5,113)
Dividend paid in the period	–	–	–	–	(2,188)	–	(2,188)
At 31 January 2014	12,501	7	97,205	3	56,916	(1,025)	165,607

for the year ended 31 July 2014 (audited)

	Called-up share capital £'000	Share premium £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2013	12,501	7	97,205	3	65,147	(1,955)	172,908
Net return on ordinary activities	–	–	–	–	334	2,401	2,735
Dividend paid in the year	–	–	–	–	(2,188)	–	(2,188)
At 31 July 2014	12,501	7	97,205	3	63,293	446	173,455

Balance Sheet

at 31 January 2015 (unaudited)

	(Unaudited) At 31 January 2015 £'000	(Unaudited) At 31 January 2014 £'000	(Audited) At 31 July 2014 £'000
Fixed assets			
Investments held at fair value through profit or loss	217,494	187,830	196,932
Current assets			
Debtors	721	391	571
Cash at bank and in hand	3,312	2,360	6,575
	4,033	2,751	7,146
Current liabilities			
Creditors: amounts falling due within one year	(29,571)	(24,974)	(30,623)
Net current liabilities	(25,538)	(22,223)	(23,477)
Net assets	191,956	165,607	173,455
Capital and reserves			
Called-up share capital	12,501	12,501	12,501
Share premium	7	7	7
Share purchase reserve	97,205	97,205	97,205
Warrant exercise reserve	3	3	3
Capital reserves	81,197	56,916	63,293
Revenue reserve	1,043	(1,025)	446
Total equity shareholders' funds	191,956	165,607	173,455
Net asset value per share (note 6)	153.55p	132.48p	138.75p

Registered in England and Wales
Company Registration number: 2930057

Cash Flow Statement

for the six months ended 31 January 2015 (unaudited)

	(Unaudited) For the six months ended 31 January 2015 £'000	(Unaudited) For the six months ended 31 January 2014 £'000	(Audited) For the year ended 31 July 2014 £'000
Net cash inflow from operating activities (note 7)	660	380	1,482
Net cash outflow from servicing of finance	(117)	(150)	(267)
Taxation paid	(170)	(117)	(335)
Dividend paid	(2,250)	(2,188)	(2,188)
Net cash outflow from investment activities	(1,301)	(2,717)	(4,988)
Net cash outflow in the period	(3,178)	(4,792)	(6,296)
Reconciliation of net cash flow to movement in net debt			
Net cash outflow in the period	(3,178)	(4,792)	(6,296)
Exchange movements	373	2,383	3,168
Changes in net debt arising from cash flows	(2,805)	(2,409)	(3,128)
Net debt at the beginning of the period	(22,224)	(19,096)	(19,096)
Net debt at the end of the period	(25,029)	(21,505)	(22,224)
Represented by:			
Cash at bank and in hand	3,312	2,360	6,575
Bank loan	(28,341)	(23,865)	(28,799)
Net debt	(25,029)	(21,505)	(22,224)

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 Auditors.

The figures and financial information for the year ended 31 July 2014 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

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 in January 2009.

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

The accounting policies applied to these interim accounts are consistent with those applied in the accounts for the year ended 31 July 2014.

3. Dividend

	(Unaudited) For the six months ended 31 January 2015 £'000	(Unaudited) For the six months ended 31 January 2014 £'000	(Audited) For the year ended 31 July 2014 £'000
2014 final dividend paid of 1.80p (2013: 1.75p)	2,250	2,188	2,188

No interim dividend has been declared in respect of the six months ended 31 January 2015 (2014: nil).

4. Taxation

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

5. Return/(loss) per share

	(Unaudited) For the six months ended 31 January 2015 £'000	(Unaudited) For the six months ended 31 January 2014 £'000	(Audited) For the year ended 31 July 2014 £'000
Revenue return (£'000)	1,043	930	2,401
Capital return/(loss) (£'000)	19,708	(6,043)	334
Total return/(loss) (£'000)	20,751	(5,113)	2,735
Weighted average number of shares in issue during the period	125,008,200	125,008,200	125,008,200
Revenue return per share	0.83p	0.74p	1.92p
Capital return/(loss) per share	15.77p	(4.83)p	0.27p
Total return/(loss) per share	16.60p	(4.09)p	2.19p

6. Net asset value per share

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue at 31 January 2015 of 125,008,200 (31 January 2014 and 31 July 2014: same).

Notes to the Accounts

7. Reconciliation of net return/(loss) on ordinary activities before finance costs and taxation to net cash inflow from operating activities

	(Unaudited) For the six months ended 31 January 2015 £'000	(Unaudited) For the six months ended 31 January 2014 £'000	(Audited) For the year ended 31 July 2014 £'000
Total return/(loss) on ordinary activities before finance costs and taxation	21,037	(4,879)	3,311
Less capital (return)/loss on ordinary activities before finance costs and taxation	(19,786)	5,961	(500)
Less management fee charged to capital	(541)	(653)	(1,285)
(Increase)/decrease in accrued dividends and interest receivable	(39)	7	8
Decrease/(increase) in other debtors	11	(16)	(19)
Decrease in accrued expenses	(22)	(40)	(33)
Net cash inflow from operating activities	660	380	1,482

Company Summary

The Company

Schroder Japan Growth Fund plc is an independent investment trust, whose shares are listed on the London Stock Exchange. As at 30 March 2015, the Company had 125,008,200 Ordinary shares of 10p each in issue (no shares were held in Treasury). The Company's assets are managed and it is administered by Schroders. The Company has, since its launch in 1994, measured its performance against the TSE First Section Index in sterling terms. The Company measures its performance on a total return basis.

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

Website and price information

The Company has a dedicated website, which may be found at www.schroderjapangrowthfund.com. The website has been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's share price (subject to a delay of 15 minutes) and copies of Report and Accounts and other documents published by the Company as well as information on the Directors, Terms of Reference of the Board's Committees and other governance arrangements. In addition, the site contains links to announcements made by the Company to the market, Equiniti's shareview service and Schroders' website. There is also a section entitled "How to Invest" which provides details of the Schroder ISA.

The Company releases its Net Asset Value per share on both a cum and ex income basis to the market daily.

Share price information may also be found in the Financial Times and on Schroders' website at www.schroders.co.uk/its.

Registrar services

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, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The helpline telephone number of Equiniti Registrars is 0800 032 0641. Calls to this number are free of charge from UK landlines.

Equiniti maintains a web-based enquiry service for shareholders. Currently the "Shareview" site (address below) contains information available on public registers. Shareholders will be invited to enter their name, shareholder reference (account number) and post code and will be able to view information on their own holding. Visit www.shareview.co.uk for more details.

AIFM Directive disclosures

Preferential treatment of investors

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

Liquidity risk management

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

Periodic and regular disclosure under the AIFM Directive

- (a) none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- (b) there are no new arrangements for managing the liquidity of the Company including, but not limited to, any material changes to the liquidity management systems and procedures employed by the Manager in place. Shareholders will be notified immediately where the issue, cancellation, sale and redemption of shares is suspended, when redemptions are suspended or where other similar special arrangements are activated;
- (c) the current risk profile of the Company and the risk management systems employed by the Manager to manage those risks can be found in the Strategic Report; and
- (d) the total amount of leverage employed by the Company may be found in the Strategic Report.

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

- (a) any changes to the maximum level of leverage which the Manager may employ on behalf of the Company; and
- (b) any changes to the right of re-use of collateral or any changes to any guarantee granted under any leveraging arrangement.

AIFM remuneration disclosures

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

www.schroderjapangrowthfund.com

www.schroders.co.uk/its

Dealing Codes

ISIN Number: GB0008022849
SEDOL Number: 0802284
Ticker: SJG

Global Intermediary Identification Number (GIIN)

7T0909.99999.SL.826