
**SCHRODER
JAPAN
GROWTH
FUND plc**



**Interim Report
31 January 2007**



Schroders



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)
Jan Kingzett
Peter Lyon
John Scott
Yoshindo Takahashi

Advisers

Investment Manager and Secretary

Schroder Investment Management Limited
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Financial Highlights

	31 January 2007	31 July 2006	% Change
Total assets (£'000)†	161,903	172,587	(6.19)
Borrowings (£'000)	(23,441)	(30,423)	22.95
Shareholders' funds (£'000)	138,462	142,164	(2.60)
Shares in issue ('000)	125,008	125,008	–
Net Asset Value per share	110.76p	113.72p	(2.60)
Share price	103.50p	110.50p	(6.33)
Share price discount	6.55%	2.83%	–
TSE First Section Total Return Index (in sterling terms)*	8.50	8.56	(0.70)
Market capitalisation (£'000)	129,383	138,134	(6.34)

† Calculated in accordance with Association of Investment Companies' (AIC) guidance and comprises shareholders' funds plus gearing used for investment purposes.

* Source: Thompson Financial Datastream.

Sector Analysis

Analysis of the Portfolio Sector Distribution with the TSE First Section Index (%) as at 31 January 2007

	Valuation £'000	% of Portfolio	% of Index
Electric Appliances	20,021	12.53	13.71
Transportation Equipment	17,814	11.14	10.27
Banks	17,135	10.72	12.94
Chemicals	11,216	7.02	5.24
Pharmaceutical	10,224	6.40	4.24
Wholesale Trade	9,967	6.24	3.96
Land Transportation	9,943	6.22	3.05
Real Estate	9,280	5.81	3.03
Insurance	8,926	5.58	2.52
Retail Trade	8,821	5.52	3.35
Machinery	7,856	4.91	4.17
Rubber Products	5,489	3.43	0.60
Information & Communication	3,814	2.39	5.12
Securities & Commodity	3,417	2.14	2.24
Glass & Ceramics Products	3,331	2.08	1.19
Other Financing Business	3,261	2.04	1.83
Construction	2,611	1.63	1.93
Pulp & Paper	2,326	1.46	0.34
Services	2,227	1.39	1.33
Iron & Steel	1,622	1.01	3.13
Oil & Coal Products	537	0.34	0.72
Electric Power & Gas	–	–	4.63
Foods	–	–	2.70
Other Products	–	–	1.90
Precision Instruments	–	–	1.29
Nonferrous Metals	–	–	1.25
Textiles & Apparels	–	–	1.06
Marine Transportation	–	–	0.68
Metal Products	–	–	0.61
Air Transportation	–	–	0.37
Mining	–	–	0.27
Warehousing & Harbour Transport	–	–	0.24
Fishery, Agriculture & Forestry	–	–	0.09
Total	159,838	100.00	100.00

Investment Manager's Review

Performance

The Company's net asset value rose by 7.9% in yen terms during the six month period to 31 January 2007, slightly underperforming the benchmark index, which rose by 10.1% over the same period. The Company's net asset value fell 2.6% in sterling terms during the six months to 31 January 2007 whilst the benchmark declined by 0.7% in sterling.

The dominant features of the period under review were the strength of the Japanese stock market and the weakness of the yen relative to other major currencies, in particular sterling. The yen/sterling exchange rate on 31 January 2007 stood close to its lowest level seen over the last 15 years.

The market was extremely polarised, particularly latterly, with steel, shipping, real estate and utility sectors performing strongly buoyed by a favourable regional backdrop and market preoccupation with strong free cash flow. Banks and Retail were among the worst performing sectors. As has been witnessed on a number of occasions in the recent past, the market was very liquidity and sentiment driven. Whilst a more fundamental, value-driven approach did not work well under such conditions, it has provided us again with numerous opportunities at a stock level, which have been ignored by the market.

Outlook

The outlook for this year remains mixed. Exports may be weaker if overseas demand weakens or the yen appreciates. In the domestic economy, consumption growth is likely to improve as a tight labour market forces Japanese companies to raise wages. However, negative impacts from a squeeze in consumer credit and the end of special income tax reductions may offset this to some extent. Overall, company profit forecasts are likely to be beaten at year end results in May-June. Companies can still expect to generate 10%+ earnings growth next fiscal year if global demand remains steady and domestic consumption improves.

Investment Policy

Corporate earnings newsflow continues to support a market which in our view is no longer compellingly undervalued. Though profit forecasts seem conservative for this year, we expect earnings momentum to slow next fiscal year and the market to struggle to re-rate much further. That said, a number of segments of the market look good value and we have added to retail stocks, such as apparel clothing retailer, Shimamura, and to auto-parts makers, such as Calsonic Kansei. Smaller companies look selectively better value, having significantly de-rated over the course of last year. Whilst still cautious on bank shares, prolonged underperformance and the prospect of widening lending spreads make them more interesting from a near-term valuation standpoint. Our stock selection is focused on some regional banks with good growth prospects, like Chiba Bank, and undervalued city banks, like Mizuho Financial.

The period saw an increase in corporate activity, with two of the Company's holdings subject to management buyouts and one to a takeover. Whilst it is encouraging to see more such activity taking place, often the premium to the share price is less than we would wish. The interest of private equity funds and a very gradual shift toward greater shareholder awareness are becoming increasingly important market themes and a supporting reason for investment in a number of the smaller, more deeply undervalued stocks, such as Chubu Nippon Broadcasting, T&K Toka and Inabata.

Given the still large number of attractive investment opportunities, notwithstanding quite demanding market valuations, the Company has retained a net gearing level of 15.4%.

Schroder Investment Management Limited

11 April 2007

Twenty Largest Investments

At 31 January 2007

Company and Activities	Value of Holdings £'000	Percentage of Shareholders' Funds
Toyota Motor Japan's largest car company.	10,073	7.28%
Takeda Pharmaceutical Largest pharmaceutical company in Japan.	6,249	4.51%
East Japan Railway Japan's largest railway based around Tokyo.	6,239	4.51%
Sumitomo Mitsui Financial Group Major banking and financial services group.	6,239	4.51%
Mitsui Large general trading company.	6,058	4.37%
Bridgestone Tyre manufacturer.	5,489	3.96%
Ricoh Global manufacturer of office equipment.	4,799	3.47%
Omron Manufacturer of automated control components.	4,147	2.99%
Mizuho Financial Group General banking and financial service group.	4,134	2.99%
T&D Holdings Provision of life insurance products and services.	3,923	2.83%
Nippon Telegraph & Telephone Provider of a variety of telecommunication services.	3,814	2.75%
Astellas Pharmaceuticals Major pharmaceutical manufacturer.	3,640	2.63%
Seven & I Operator of convenient stores, supermarkets and restaurants.	3,436	2.48%
Asahi Glass Manufactures and sells a variety of glass products.	3,331	2.41%
Nidec Manufacturer of small and mid-size motors for electronic devices.	3,293	2.38%
Nissan Motor Manufacturer of automobiles and related products.	2,930	2.12%
Sankei Building Real estate developer.	2,880	2.08%
Sompo Japan Large general insurance company and also involved in life insurance.	2,847	2.06%
Nitto Denko Producer of industrial and electrical film.	2,843	2.05%
Tachihi Enterprise Tokyo based real estate developer.	2,842	2.05%
TOTAL	89,206	64.43%

The value of the Twenty Largest Investments represents 64.43% (31 January 2006: 64.57% and 31 July 2006: 66.67%) of shareholders' funds.

Income Statement

	Notes	Six months ended 31 January 2007 (unaudited)			Six months ended 31 January 2006 (unaudited)			Year ended 31 July 2006 (audited)		
		Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000	Revenue return £'000	Capital return £'000	Total return £'000
(Losses)/gains on investments held at fair value		–	(5,827)	(5,827)	–	37,541	37,541	–	21,163	21,163
Exchange gains		–	2,400	2,400	–	1,152	1,152	–	1,853	1,853
Income		920	–	920	844	–	844	2,088	–	2,088
Investment management fee	2	(808)	–	(808)	(849)	–	(849)	(1,727)	–	(1,727)
Administrative expenses	2	(200)	–	(200)	(170)	–	(170)	(375)	–	(375)
Net (losses)/return before finance costs and taxation		(88)	(3,427)	(3,515)	(175)	38,693	38,518	(14)	23,016	23,002
Interest payable	3	(125)	–	(125)	(56)	–	(56)	(137)	–	(137)
Net (losses)/return on ordinary activities before taxation		(213)	(3,427)	(3,640)	(231)	38,693	38,462	(151)	23,016	22,865
Taxation on ordinary activities		(62)	–	(62)	(58)	–	(58)	(144)	–	(144)
Net (losses)/return on ordinary activities after taxation attributable to equity shareholders		(275)	(3,427)	(3,702)	(289)	38,693	38,404	(295)	23,016	22,721
Net (losses)/return per ordinary share	4	(0.22)p	(2.74)p	(2.96)p	(0.23)p	30.95p	30.72p	(0.24)p	18.41p	18.17p

All revenue and capital items in the above statement derive from continuing operations.

The total column of this statement is the profit and loss account of the Company.

The notes on page 9 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

	Share capital £'000	Share premium account £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Balance at 31 July 2005	12,501	7	97,205	3	17,108	(7,381)	119,443
Net profit from operating activities	–	–	–	–	38,693	(289)	38,404
Balance at 31 January 2006 (unaudited)	12,501	7	97,205	3	55,801	(7,670)	157,847

	Share capital £'000	Share premium account £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Balance at 31 July 2005	12,501	7	97,205	3	17,108	(7,381)	119,443
Net profit from operating activities	–	–	–	–	23,016	(295)	22,721
Balance at 31 July 2006 (audited)	12,501	7	97,205	3	40,124	(7,676)	142,164

	Share capital £'000	Share premium account £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
Balance at 31 July 2006	12,501	7	97,205	3	40,124	(7,676)	142,164
Net profit from operating activities	–	–	–	–	(3,427)	(275)	(3,702)
Balance at 31 January 2007 (unaudited)	12,501	7	97,205	3	36,697	(7,951)	138,462

The notes on page 9 form an integral part of these accounts.

Balance Sheet

	Notes	At 31 January 2007 (unaudited) £'000	At 31 January 2006 (unaudited) £'000	At 31 July 2006 (audited) £'000
Fixed Assets				
Investments held at fair value through profit or loss		159,838	180,581	167,409
Current Assets				
Debtors		404	137	2,083
Cash at bank		2,169	4,098	5,696
		2,573	4,235	7,779
Creditors: amounts falling due within one year	3	(23,949)	(26,969)	(33,024)
Net Current Liabilities		(21,376)	(22,734)	(25,245)
Net assets attributable to shareholders		138,462	157,847	142,164
Capital and Reserves				
Called up share capital		12,501	12,501	12,501
Share premium account		7	7	7
Share purchase reserve		97,205	97,205	97,205
Warrant exercise reserve		3	3	3
Capital reserves		36,697	55,801	40,124
Revenue reserve		(7,951)	(7,670)	(7,676)
Total equity shareholders' funds		138,462	157,847	142,164
Net asset value per ordinary share	5	110.76p	126.27p	113.72p

The notes on page 9 form an integral part of these accounts.

Cash Flow Statement

	Six months ended 31 January 2007 (unaudited)		Six months ended 31 January 2006 (unaudited)		Year ended 31 July 2006 (audited)	
	£'000	£'000	£'000	£'000	£'000	£'000
Operating Activities						
Income from investments	899		839		2,049	
Interest received	27		16		27	
Administrative expenses	(214)		(157)		(360)	
Investment management fee	(812)		(749)		(1,667)	
Net cash (outflow)/inflow from operating activities		(100)		(51)		49
Returns on investments and servicing of finance						
Bank loan interest paid		(124)		(49)		(135)
Net cash outflow from returns on investments and servicing of finance		(124)		(49)		(135)
Taxation						
Overseas tax paid		(63)		(57)		(145)
Total tax paid		(63)		(57)		(145)
Financial Investment						
Purchase of investments	(23,203)		(20,723)		(57,055)	
Sale of investments	24,545		15,947		49,261	
Net cash inflow/(outflow) from financial investment		1,342		(4,776)		(7,794)
Net cash inflow/(outflow) before financing		1,055		(4,933)		(8,025)
Financing						
Bank loan drawn down		–		4,918		9,738
Bank loan repaid		(3,980)		–		–
Net cash (outflow)/inflow from financing		(3,980)		4,918		9,738
Net cash (outflow)/inflow in the period		(2,925)		(15)		1,713

Reconciliation of Net Cash Inflow to Movement in Net Debt

	Six months ended 31 January 2007 (unaudited)		Six months ended 31 January 2006 (unaudited)		Year ended 31 July 2006 (audited)	
	£'000	£'000	£'000	£'000	£'000	£'000
Movement in cash in the year	(2,925)		(15)		1,713	
Movement in bank loan to finance investments	3,980		(4,918)		(9,738)	
Change in net debt arising from cash flows	1,055		(4,933)		(8,025)	
Exchange gains on revaluation of currency, loans and cash balances	2,400		1,152		1,853	
Change in net debt	3,455		(3,781)		(6,172)	
Net debt brought forward	(24,727)		(18,555)		(18,555)	
Net debt carried forward	(21,272)		(22,336)		(24,727)	

The notes on page 9 form an integral part of these accounts.

Notes to the Accounts

1. Accounting policies

The interim financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments and in accordance with the Companies Act 1985 and Generally Accepted Accounting Practice (UK GAAP) issued by the Accounting Standards Board (ASB) and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" ("SORP") issued in January 2003 and revised in December 2005. The same accounting policies used for the year ended 31 July 2006 have been applied.

2. Expenses and interest payable

All expenses, including the investment management fee and interest payable are accounted for on an accruals basis. Expenses are charged through the revenue return except those expenses incidental to the acquisition or disposals of investments which are charged to capital return.

The Investment Manager is entitled to a management fee at an annual rate of 1.00% (plus VAT) on assets up to £150 million and 0.95% (plus VAT) on assets above that amount payable quarterly in arrears and calculated by reference to the value of the Company's assets under management (net of current liabilities other than short term borrowings) at the end of the relevant quarter.

Transaction costs have been included within the capital account. Purchase transaction costs amounted to £20,000 for the period to 31 January 2007 (31 January 2006: £21,000 and 31 July 2006: £64,000) and sales transaction costs amounted to £25,000 (31 January 2006: £16,000 and 31 July 2006: £55,000).

3. Creditors: amount falling due within one year

Included in creditors are the following:

Loans of	31 January 2007	31 January 2006	31 July 2006
Yen	5,550,000,000	5,500,000,000	6,500,000,000
Equivalent to	£23,441,000	£26,434,000	£30,423,000

The Company has a loan facility of Yen 6.50 billion with ING Bank N.V. This facility has a revolving 364 day term, is chargeable at a floating rate linked to the Yen LIBOR, and is unsecured.

4. (Losses)/return per Ordinary Share

	Six months ended 31 January 2007 (unaudited)	Six months ended 31 January 2006 (unaudited)	Year ended 31 July 2006 (audited)
Revenue return (£'000)	(275)	(289)	(295)
Capital return (£'000)	(3,427)	38,693	23,016
Total return (£'000)	(3,702)	38,404	22,721
Weighted average number of ordinary shares in issue	125,008,200	125,008,200	125,008,200
Revenue return per ordinary share	(0.22)p	(0.23)p	(0.24)p
Capital return per ordinary share	(2.74)p	30.95p	18.41p
Total (losses)/return per ordinary share	(2.96)p	30.72p	18.17p

5. Net Asset Value per Ordinary Share

	Six months ended 31 January 2007 (unaudited)	Six months ended 31 January 2006 (unaudited)	Year ended 31 July 2006 (audited)
Net asset value per ordinary share	110.76p	126.27p	113.72p
Ordinary shares in issue at the end of the period	125,008,200	125,008,200	125,008,200

6. Results

The results for the six month periods to 31 January 2007 and 31 January 2006, which are unaudited, constitute non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. The latest published accounts which have been delivered to the Registrar of Companies are for the year ended 31 July 2006; the report of the auditors thereon was unqualified and did not contain a statement under Section 237 of the Companies Act 1985. The abridged financial statements shown above for the year ended 31 July 2006 are an extract from those accounts.

Company Summary

The Company

Schroder Japan Growth Fund plc is an investment trust listed on the London Stock Exchange. It is an independent investment trust managed and 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 the 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 in the year 2009 and thereafter at five yearly intervals.

Price Information

The Company's ordinary shares are listed on the London Stock Exchange. The price of the shares is quoted daily in the Financial Times and The Daily Telegraph.

Share price information, subject to a twenty minute delay, is available on the internet at:

<http://www.schroders.co.uk>

The site also contains other information on the Company including, inter alia, a sector analysis and the Company's ten largest investments. There is also a factsheet, which is published quarterly and is available to Shareholders, in printed form, on request from the Secretary of the Company.

The Company releases its Net Asset Value to the London Stock Exchange on a weekly basis.

Capital Gains Tax Information

For the benefit of those shareholders who acquired their holdings in the original Offer for Subscription, acquisition costs of the shares for capital gains tax purposes based upon initial dealings on 11 July 1994 are as follows:

Each ordinary share of 10p each 90.98p

For the 2007/2008 tax year, the annual capital gains (after adjusting for indexation and taper relief) of private individuals in excess of £9,200 (2006/2007: £8,800) are assessed for capital gains tax.

Capital gains on shares disposed of by individuals may be eligible for taper relief. The taper reduces the amount of a chargeable gain according to how long the asset has been held for periods after 5 April 1998.

Company Summary continued

Schroder Investment Trust Dealing Service

The Schroder Investment Trust Dealing Service provides a convenient and cost effective means of investing in the shares of the Company. The Service offers investors:

- a regular investment option from a minimum of £50 per month
- a lump sum investment option from a minimum of £1,000
- daily dealing
- competitive charges
- the option to reinvest income.

Other investment trusts which are available through this service are Schroder AsiaPacific Fund plc, Schroder Income Growth Fund plc, Schroder Oriental Income Fund Limited, Schroder Split Investment Fund plc, Schroder Split ZDP plc, Schroder UK Growth Fund plc, Schroder UK Mid & Small Cap Fund plc, SVG Capital plc and International Biotechnology Trust plc.

If you would like further information about the Schroder Investment Trust Dealing Service, please contact the Secretary of the Company at 31 Gresham Street, London EC2V 7QA or call Schroder Investor Services on freephone 0800 718 777.

Individual Savings Account – Schroder Maxi ISA Plan

Schroders are providing a non CAT standard investment trust ISA, which includes Schroder Japan Growth Fund plc. The investment trust ISA is designed as a maxi account, made up entirely of a stocks and shares component; a cash or insurance component is not offered.

The Schroder ISA offers investors:

- lump sum investments in the ordinary shares of the Company from a minimum of £1,000 to a maximum of £7,000 in the current tax year
- a regular investment option from a minimum of £50 per month
- competitive charges
- the option to reinvest income
- the option to include other trusts.

If you would like further information about the Schroder Maxi ISA please contact the Secretary of the Company at 31 Gresham Street, London EC2V 7QA or call Schroder Investor Services on freephone 0800 718 777.

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 Lloyds TSB Registrars Scotland at PO Box 28448, Finance House, Orchard Brae, Edinburgh, Scotland EH4 1WQ. The helpline telephone number of Lloyds TSB Registrars is 0870 601 5366.

Lloyds TSB Registrars Scotland maintain 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.

Schroders is one of the largest asset managers listed on the London Stock Exchange with a history of over 200 years.

We are a global asset management company with £132.3 billion under management as at 31 March 2007. Our clients are major financial institutions including pension funds, banks and insurance companies, local and public authorities, governments, charities, high net worth individuals and retail investors.

Our involvement in investment management began in 1922 and our clients benefit from an extensive range of products and services. We manage funds across all asset classes, with specialist capabilities in equities, fixed income, private equity, property, hedge funds and structured products.

Share price, portfolio and other information on Schroder investment trusts is available on the internet at:

<http://www.schroders.co.uk>

Schroder Investment Management Limited is authorised and regulated by the Financial Services Authority.



Schroders