Schroder
Japan Growth Fund plc

Report and Accounts for the year ended 31 July 2013

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)*†
Aged 69, was appointed as a Director of the Company on 29 July 1999 and as Chairman on 20 April 2004. He is Chairman and Managing Director of Dragon Partners Limited. He is a Director of Greater China Fund Inc. and a member of the international advisory board, Datawind Inc. He was previously a Director of Baring Asset Management Limited (1976–1997). He is a Barrister at law.

Anja Balfour*†
Aged 49, was appointed as a Director of the Company on 1 May 2013. Mrs Balfour spent 22 years as a fund manager running Japanese, Far Eastern and International equity portfolios for Stewart Ivory, Baillie Gifford and, latterly, Axa Framlington. She is a non-executive director of Martin Currie Pacific Trust plc and is a trustee of Venture Scotland, a charity specialising in personal development for young people. She is a member of the CFA Society of the UK and Archangel Informal Investment, a business angel syndicate.

Richard Greer*†
Aged 59, was appointed as a Director of the Company on 5 November 2009. Mr Greer has worked in Japan for fifteen years, for Jardine Matheson and subsequently, as branch manager, for Baring Securities (Japan) Limited, until 1993. He has extensive experience of company research, and headed the group established by the Japanese Ministry of Finance representing the EU investment banks and brokerages. On returning to London, he was global head of research at Barings, Caspian Limited and Commerzbank AG, before becoming a partner at WMG Limited, a wealth management group, and head of marketing at Toscafund Limited. He is now a partner at Laurel Capital Kingsway LLP, an investment firm.

Peter Lyon*†
Aged 72, was appointed as a Director of the Company on 31 May 1994. In March 2008 he retired from Clay Finlay Inc., a US based institutional fund management group where he was a director from 1998 until his retirement.

John Scott*†
Aged 61, was appointed a Director of the Company on 20 April 2004. He is Chairman of Scottish Mortgage Investment Trust PLC and of Alpha Insurance Analysts, a non-executive director of Martin Currie Pacific Trust plc and JPMorgan Claverhouse Investment Trust plc. His other directorships include Bluefield Solar Investment Fund. He previously worked in Hong Kong for Jardine Matheson, and subsequently in London for Lazard for 20 years, during which time he spent three years in Tokyo with responsibility for Lazard Brothers' investment banking activities in Japan.

Jan Kingzett†
Aged 57, was appointed as a Director of the Company on 3 October 2001. He is an employee of the Investment Manager. He is also a non-executive Director of Thos. Agnew and Sons (Holdings) Limited.

*Member of the Audit and Management Engagement Committees
†Member of the Nomination Committee

Mr Lyon is Chairman of the Nomination and Management Engagement Committees
Mr Scott is Chairman of the Audit Committee

Advisers

Investment Manager
Schroder Investment Management Limited
31 Gresham Street, London EC2V 7QA

Company Secretary and Registered Office
Schroder Investment Management Limited
31 Gresham Street, London EC2V 7QA
Telephone: 020 7658 3206

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

Custodian
JP Morgan Chase Bank N.A.
1 Chaseside
Bournemouth BH7 7DB

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

Corporate Broker
Panmure Gordon & Co plc
One New Change
London EC4M 9AF

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

Shareholder Helpline: 0800 032 0641*
Website: www.shareview.co.uk

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

Contents

Financial Highlights

	2013	2012	
Total returns for the year ended 31 July			
Net asset value ("NAV") per share	**37.5%**	(3.7)%	
Share price	**44.8%**	(7.4)%	
TSE First Section Total Return Index (in Sterling terms)[1]	**29.0%**	(7.2)%	
Shareholders' funds, NAV per share, share price and share price discount at 31 July			% Change
Shareholders' funds (£'000)	**172,908**	125,785	+37.5
NAV per share	**138.32p**	100.62p	+37.5
Share price	**124.50p**	86.00p	+44.8
Share price discount	**9.99%**	14.53%	
Revenue for the year ended 31 July			
Net revenue attributable to shareholders (£'000)	**2,354**	1,365	+72.5
Return per share	**1.88p**	1.09p	+72.5
Dividend per share	**1.75p[2]**	–	
Gearing[3]	**11.0%**	10.9%	
Ongoing Charges[4]	**1.45%**	1.42%	

[1] Source: Thomson Financial Datastream
[2] This is the first dividend proposed by the Company and is subject to shareholder approval at the Annual General Meeting. Further details on the Company's dividend policy are given in the Chairman's Statement on page 4.
[3] Gearing represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets.
[4] Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average daily net asset values during the year.

Comparison of Portfolio Sector Distribution with the TSE First Section Index as at 31 July 2013

	Valuation £'000	% of Portfolio	% of Index
Transportation Equipment	21,457	11.14	12.10
Chemicals	20,735	10.76	5.50
Electrical Appliances	19,054	9.89	11.50
Retail Trade	17,705	9.19	4.40
Banks	15,845	8.22	10.20
Wholesale Trade	14,633	7.60	4.50
Land Transportation	12,312	6.39	4.00
Information and Communication	9,632	5.00	6.90
Insurance	9,199	4.78	2.40
Pharmaceuticals	7,399	3.84	4.40
Machinery	6,905	3.58	5.00
Rubber Products	6,301	3.27	1.00
Securities and Commodity	4,854	2.52	2.00
Construction	4,628	2.40	2.50
Precision Instruments	3,497	1.82	1.30
Other Products	3,428	1.78	1.40
Real Estate	3,125	1.62	3.50
Oil and Coal Products	2,970	1.54	0.70
Air Transportation	2,197	1.14	0.60
Non-Ferrous Metals	1,422	0.74	1.00
Glass and Ceramics Products	1,363	0.71	0.90
Marine Transportation	1,293	0.67	0.30
Services	1,092	0.57	2.10
Foods	997	0.52	4.00
Mining	604	0.31	0.40
Electric Power and Gas	–	–	2.60
Iron and Steel	–	–	1.70
Other Financing Business	–	–	1.10
Textiles and Apparels	–	–	0.70
Metal Products	–	–	0.70
Pulp and Paper	–	–	0.30
Warehousing and Harbour Transport	–	–	0.20
Fishery, Agriculture and Forestry	–	–	0.10
Total	**192,647**	**100.00**	**100.00**

Ten Year Record

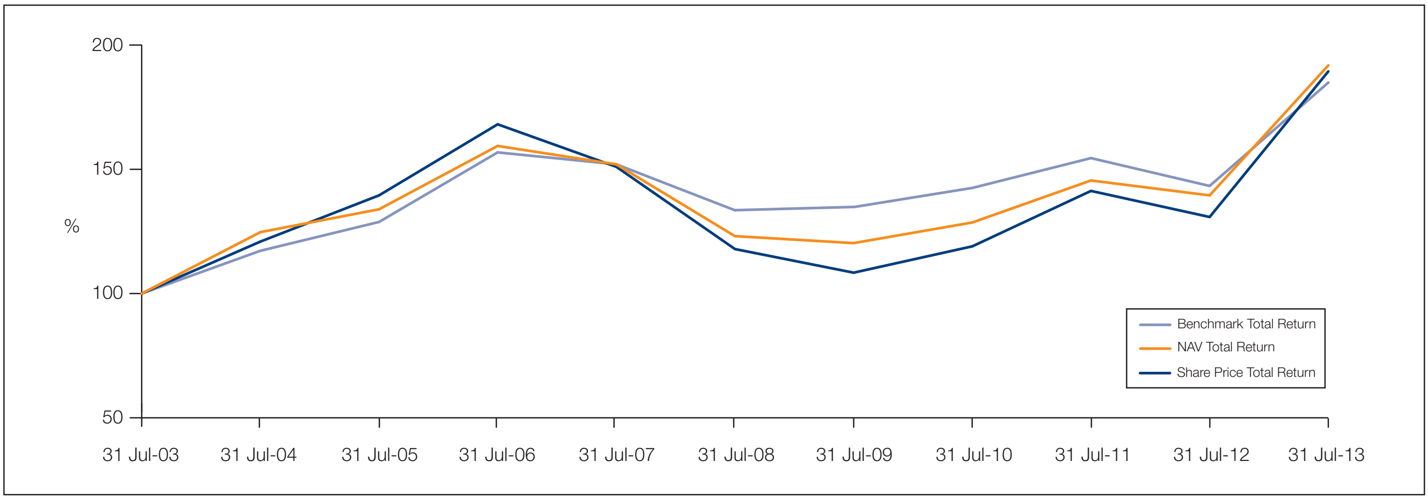
At 31 July	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total assets (£'000)[1]	130,995	142,245	172,587	156,292	133,547	126,333	137,076	154,331	150,301	193,027
Shareholders' funds (£'000)	111,259	119,443	142,164	135,626	110,194	107,324	114,971	130,654	125,785	172,908
NAV per share (pence)	89.00	95.55	113.72	108.49	88.15	85.85	91.97	104.52	100.62	138.32
Share price (pence)	79.50	91.75	110.50	99.25	77.50	71.25	78.25	92.88	86.00	124.50
Share price discount (%)	(10.67)	(3.98)	(2.83)	(8.52)	(12.08)	(17.01)	(14.92)	(11.14)	(14.53)	(9.99)
Gearing (%)[2]	14.1	15.5	17.4	13.0	14.1	9.8	12.2	10.0	10.9	11.0
Ongoing charges (%)[3]	1.59	1.47	1.44	1.43	1.47	1.55	1.51	1.49	1.42	1.45

Year ended 31 July										
Net (loss)/revenue after taxation (£'000)	(575)	(199)	(295)	(261)	383	715	254	911	1,365	2,354
Net (loss)/return per share (pence)	(0.46)	(0.16)	(0.24)	(0.21)	0.31	0.57	0.20	0.73	1.09	1.88
Dividend per share (pence)	–	–	–	–	–	–	–	–	–	1.75

Performance[4]	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
NAV total return	100.0	124.7	133.9	159.4	152.0	123.1	120.3	128.6	145.5	139.5	191.8
Share price total return	100.0	120.9	139.5	168.1	151.0	117.9	108.4	119.0	141.3	130.8	189.4
Benchmark total return[5]	100.0	117.2	128.8	156.8	152.0	133.5	134.8	142.5	154.5	143.3	184.9

[1] Net assets plus borrowings used for investment purposes.
[2] Gearing represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets.
[3] Ongoing Charges represents the management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average daily net asset values during the year. The figures for 2011 and prior years represent the expenses calculated as above, expressed as a percentage of the average month end net asset values during the year.
[4] Source: Morningstar/Datastream. Rebased to 100 at 31 July 2003.
[5] The Company's Benchmark is the TSE First Section Total Return Index (TOPIX).

Ten year performance of NAV, Share price and Benchmark



Source: Morningstar/Thomson Financial Datastream. Rebased to 100 at 31 July 2003.

Chairman's Statement

Performance

The year to 31 July 2013 was very positive for investors in the Company, both in absolute terms as Japanese markets posted substantial gains, and as a result of the Company's continued out-performance against the market. In local currency terms, the Japanese market rose 57.2% during the year but this was accompanied by a sharp fall in the Yen. As a result, when measured in Sterling terms, the benchmark index produced a total return of 29.0% during the year. The Company's net asset value produced a total return of 37.5%. Sentiment towards Japan also markedly improved and the share price produced a total return of 44.8% as the discount narrowed from 14.5% to 10.0%.

Further details on market performance, background, activity and investment policy may be found in the Investment Manager's Review.

Gearing

During the year under review, the Company's borrowing facility was increased from Yen 3 billion to Yen 5 billion. At the beginning of the year, the net effective gearing was 10.9%, and this remained largely unchanged as at 31 July 2013. All of the borrowings were obtained via a revolving credit facility in order to provide flexibility.

The Directors do not envisage net effective gearing exceeding 25% of shareholders' funds and the gearing continues to be operated within the limits agreed by the Board.

Allocation Policy

As previously indicated, in order better to reflect the increasing significance of income as part of total return, the Directors have, with effect from 1 August 2012, adopted an allocation policy whereby management fees and finance costs will be charged 70% to the capital account and 30% to the revenue account.

Earnings and Dividend Policy

Shareholders voted in November 2012 to remove the prohibition previously contained in the Articles of Association on distributing capital profits by way of dividend or otherwise than by way of repurchase of the Company's issued share capital.

As previously indicated, the Board intends that future net revenue earned by the portfolio is substantially paid out to investors in the form of dividends in line with the new dividend policy. Earnings for the year to 31 July 2013 amounted to 1.88p per share and the Directors therefore propose that a final dividend of 1.75p per share be declared payable out of capital to shareholders on 11 November 2013, subject to approval by shareholders at the Annual General Meeting to be held on 7 November 2013.

Changes to Board Composition

As part of the Board's planned refreshment, I am pleased to report that Mrs Anja Balfour was appointed as a non-executive Director of the Company, effective from 1 May 2013.

Mrs Balfour spent 22 years as a fund manager running Japanese, Far Eastern and International equity portfolios for Stewart Ivory, Baillie Gifford and, latterly, Axa Framlington. She is a non-executive director of Martin Currie Pacific Trust plc and is a trustee of Venture Scotland, a charity specialising in personal development for young people. She is a member of the CFA Society of the UK and Archangel Informal Investment, a business angel syndicate.

We recommend that shareholders vote in favour of the resolution to elect Mrs Balfour at the forthcoming Annual General Meeting, Notice for which is set out on page 39.

In addition, Mr Peter Lyon will retire from the Board at the Annual General Meeting and is therefore not seeking re-election from shareholders. Mr Lyon has served as a Director of your Company since its launch in 1994 and the Directors have been the beneficiaries of his immeasurable knowledge and experience of the Japanese market. We thank him for his invaluable contribution to the Board's deliberations for nearly 20 years.

Chairman's Statement

Purchase of Shares for Cancellation

The Board will be seeking to renew the share buyback authority to purchase up to 14.99% of the Company's issued share capital for cancellation, granted to the Company at the Company's Annual General Meeting on 7 November 2012. During the year ended 31 July 2013, the Directors did not use the authority given to them and no purchases for cancellation were undertaken. However, the share buyback facility is one of a number of tools that may be used to enhance shareholder value and to reduce the discount volatility and it is therefore proposed that the authority be renewed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting, which includes a presentation on the prospects for the Japanese economy and investment strategy, will be held at 2.30 p.m. on Thursday 7 November 2013 and shareholders are invited to attend.

Outlook

Pleasing as the increase in the Japanese stock market has been, the underlying cause has been a flood of buying in the belief that the new government policies will change Japan's long-term prospects. Even if the political will remains, there will be a long while before a judgement can be made on this, probably bringing more stock market volatility as expectations swing from optimism to pessimism.

In the meantime, the Manager remains confident that, despite the increase in prices, the holdings are still priced attractively. We hope that this value will underpin the Company's future performance, while the market waits to see how successful the new policies turn out to be.

Jonathan Taylor
Chairman
4 October 2013

Investment Manager's Review

Performance

The Company's NAV rose 37.5% in Sterling over the year, significantly out-performing the benchmark, which produced a total return of 29.0%. Stock selection was slightly positive but maintaining average gearing at just over 10% made the largest contribution to outperformance. At the stock level the share prices of two small cap ink producers (Sakata and T&K Toka) more than doubled whilst weak Yen beneficiaries Ricoh and Bridgestone did almost as well. This was partly offset by adverse stock selection in retail and being overweight trading companies.

Market Background

The market continued its drift for the first three months but activity was subsequently dominated by economic policy changes ushered in by the LDP's election victory in December and subsequent ratification of Mr Abe as prime minister. Mr Abe's election was followed by his appointment of an extremely dovish Bank of Japan Governor in the spring and by a victory for the LDP in the Upper House of the Diet in the summer, which seems likely to herald a period of much needed political stability. In its initial phases at least, this policy shift (now known as "Abenomics") has been viewed as Yen negative and stock market positive. This has led to a strong rally in the equity market, driven largely by foreign investors.

Sector trends largely mirrored the shift in economic policy with weak Yen beneficiaries and market-sensitive stocks performing strongly, such as securities houses, real estate and auto companies. More defensive areas such as pharmaceuticals or commodity price sensitive sectors such as trading companies generally lagged, the latter reflecting the impact of weaker Chinese growth.

Activity

During the year we took profits in some of the more strongly performing small cap positions such as Sakata Inx, T&K Toka (both ink manufacturers) and Accordia Golf (golf course operator which was the subject of a hostile takeover bid). New additions to the portfolio included Japan Airlines which returned to the market via an IPO following a government led-rehabilitation and Konica Minolta (copier manufacturer). We also added to existing positions which had lagged the rise in the market such as the trading companies and exporters, Canon and Honda.

Outlook

Market volatility has risen since the spring, and this seems likely to continue as markets react to the perceived success or failure of the government's supply-side growth measures. At a more micro level we are encouraged that, despite the market's strong rise over the last nine months, valuations do not yet appear stretched and profits momentum remains positive.

Investment Policy

Policy is moderately pro-cyclical but given the recovery in share prices, additions have been focussed on laggards amongst the technology, auto and trading company sectors. The portfolio is overweight domestic cyclical areas such as financials, transport and retail and underweight more staple areas such as food and utilities. The exposure to currency movements is broadly neutral relative to the benchmark, with overweight positions in autos offset by underweight positions in consumer electronics. The market impact of "Abenomics" has seen some individual stocks become over-extended and we have reduced positions in some construction and real estate companies reflecting this.

Net gearing was 11% at the end of July 2013, broadly unchanged compared to the previous year end.

Schroder Investment Management Limited
4 October 2013

Investment Portfolio

As at 31 July 2013

Company	Industrial Classification	Activity	Market Value of Holding £'000	% of Shareholders' Funds
Toyota Motor	Transportation Equipment	Automobile manufacturer	11,691	6.76
SK Kaken	Chemicals	Paint manufacturer for construction	6,745	3.90
Bridgestone	Rubber Products	Automobile tyre manufacturer	6,301	3.64
East Japan Railway	Land Transportation	Railway company	6,032	3.49
Sumitomo Mitsui Financial	Banks	Banking and other financial services	5,955	3.44
Mitsui	Wholesale Trade	General trading company	5,953	3.44
KDDI	Information and Communication	Telecommunication services	5,660	3.27
Hi Lex	Transportation Equipment	Automobile cables manufacturer	5,571	3.22
NKSJ Holdings	Insurance	Non-life and life insurance	5,038	2.91
Seven & I Holdings	Retail Trade	Retail store operator	4,566	2.64
T&D Holdings	Insurance	Life insurance products and services	4,161	2.41
Nippon Telegraph & Telephone	Information and Communication	Telecommunication services	3,972	2.30
Sakata Inx	Chemicals	Printing ink manufacturer	3,941	2.28
Mitsubishi UFJ Financial	Banks	Banking and other financial services	3,890	2.25
Nomura Holdings	Securities and Commodity	Securities company	3,331	1.93
Nidec	Electrical Appliances	Small and mid-size spindle manufacturer	3,273	1.89
Nintendo	Other Products	Manufacturer of games consoles	3,207	1.85
Central Japan Railway	Land Transportation	Railway company	3,144	1.82
JX Holdings	Oil and Coal Products	Petroleum refining and selling	2,970	1.72
Canon	Electrical Appliances	Imaging products and solutions	2,942	1.70
Twenty largest investments			**98,343**	**56.86**
Yamada Denki	Retail Trade	Electronics retailer	2,796	1.62
Inabata	Wholesale Trade	Trading company	2,746	1.59
Honda Motor	Transportation Equipment	Automobile and motorcycle manufacturer	2,702	1.56
AT	Retail Trade	Car distribution	2,672	1.55
Nitto Denko	Chemicals	Manufacturer of LCDs	2,437	1.41
JGC	Construction	Construction of plants and facilities	2,413	1.40
Hoya	Precision Instruments	Optical lens manufacturer	2,268	1.31
Shimamura	Retail Trade	Clothing store	2,261	1.31
Sekisui Chemical	Chemicals	Manufacturer of housing chemicals	2,244	1.30
Japan Airlines	Air Transportation	Airline	2,197	1.27
Mitsui Fudosan	Real Estate	Leasing and sale of real estate	2,067	1.20
Ricoh	Electrical Appliances	Copiers and printers manufacturer	2,018	1.17
TDK	Electrical Appliances	Electronic components manufacturer	2,015	1.17
Hitachi	Electrical Appliances	Electrical appliances and industrial machinery	1,964	1.14
Koito Manufacturing	Electrical Appliances	Manufacturer of car lighting	1,943	1.12
Seventy Seven Bank	Banks	Banking services	1,939	1.12
Santen Pharmaceutical	Pharmaceutical	Pharmaceutical products	1,892	1.09
Nafco	Retail Trade	Operator of home and furniture stores	1,869	1.08
Hitachi High-Technologies	Wholesale Trade	Electrical appliances and industrial systems	1,867	1.08
ABC-Mart	Retail Trade	Shoe retailer	1,867	1.08
Fukuoka Financial	Banks	Banking and other financial services	1,859	1.07
Sankyo	Machinery	Pachinko machine manufacturer	1,829	1.06
Mitsubishi	Wholesale Trade	General trading company	1,740	1.01
Yamato Holdings	Land Transportation	Delivery service company	1,732	1.00
Fujitsu	Electrical Appliances	Manufacturer of semiconductor equipment	1,664	0.96
T & K Toka	Chemicals	Printing ink manufacturer	1,608	0.93

Investment Portfolio

Company	Industrial Classification	Activity	Market Value of Holding £'000	% of Shareholders' Funds
Sumitomo Corporation	Wholesale Trade	General trading company	1,584	0.92
Konica Minolta	Electrical Appliances	Manufacturer of office equipment	1,573	0.91
Chiba Bank	Banks	Banking services	1,548	0.90
Tokai Tokyo Securities	Securities and Commodity	Stockbroker	1,523	0.88
Otsuka	Pharmaceutical	Pharmaceutical products	1,443	0.83
Sumitomo Electric Industries	Non-Ferrous Metals	Copper wire manufacturer	1,422	0.82
Astellas Pharma	Pharmaceutical	Pharmaceutical products	1,408	0.81
Haseko	Construction	House builder	1,399	0.81
Sumitomo Heavy Industries	Machinery	Manufacturer of industrial machinery	1,376	0.80
Fuji Photo Film	Chemicals	Imaging and information solutions	1,372	0.79
Asahi Glass	Glass and Ceramics Products	Glass and related products	1,363	0.79
Nippon Thompson	Machinery	Manufacturer of needle roller bearings	1,352	0.78
Mitsui O.S.K. Lines	Marine Transportation	Shipping	1,293	0.75
Shimadzu	Precision Instruments	Precision tools and equipment manufacturer	1,229	0.71
JTEKT	Machinery	Manufacturer of ball and roller bearings	1,222	0.71
Unipres	Transportation Equipment	Manufacturer of automobile parts	1,162	0.67
Mirai Industry	Machinery	Construction and building maintenance	1,126	0.65
Don Quijote	Retail Trade	Discount store operator	1,067	0.62
Daikyo	Real Estate	Real estate development and sales	1,058	0.61
Tokyo Electron	Electrical Appliances	Manufacturer of semiconductor equipment	1,048	0.61
Suntory Beverage and Food	Foods	Food and beverage sales	997	0.58
Hitachi Transport System	Land Transportation	Transportation of industrial machinery	991	0.57
Takeda Pharmaceutical	Pharmaceutical	Pharmaceutical products	924	0.53
Nippon Soda	Chemicals	Chemical products manufacturer	903	0.52
Kissei Pharmaceuticals	Pharmaceutical	Pharmaceutical products	894	0.52
Kaneka	Chemicals	Chemical products manufacturer	891	0.52
Tsumura	Pharmaceutical	Pharmaceutical products	838	0.48
Sanki Engineering	Construction	Installation service provider	816	0.47
Itochu	Wholesale Trade	General trading company	743	0.43
Musashino Bank	Banks	Banking services	654	0.38
Mabuchi Motor	Electrical Appliances	Micro-motors manufacturer	614	0.35
Xebio	Retail Trade	Sports equipment and clothing stores	607	0.35
Inpex	Mining	Energy exploration	604	0.35
JSR	Chemicals	Synthetic rubber manufacturer	594	0.34
Chubu Nippon Broadcasting	Services	Commercial broadcaster	546	0.32
Moshi Moshi Hotline	Services	Provision of call centre services	546	0.32
Sankyu	Land Transportation	Logistics and freight transportation	413	0.24
Musashi Seimitsu Industry	Transportation Equipment	Automobile parts manufacturer	331	0.19
Asics	Other Products	Manufacturer of sporting products	221	0.13
Total investments			**192,647**	**111.42**
Net current liabilities			**(19,739)**	**(11.42)**
Total equity shareholders' funds			**172,908**	**100.00**

At 31 July 2012 the twenty largest investments represented 55.1% of shareholders' funds.

Report of the Directors

The Directors present their annual report and the audited financial statements for the year ended 31 July 2013.

Introduction

The Report of the Directors includes the Business Review and Corporate Governance Statement. The Business Review contains a review of the Company's business, the principal risks and uncertainties it faces and an analysis of its performance during the financial year and its future development.

Business Review

Company's Business

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

The Company is domiciled in the UK and is an investment company within the meaning of Section 833 of the Companies Act 2006.

The Company is not a close company for taxation purposes.

Investment Objective

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

Relationship with the Investment Manager

Schroder Investment Management Limited ("Schroders") and/or ("Manager"), which is authorised and regulated by the Financial Conduct Authority ("FCA"), provides investment management, accounting and company secretarial services to the Company under the terms of an investment management agreement. Schroders also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the Chairman, other Board members or the corporate broker as appropriate.

The Company's assets are managed in line with appropriate restrictions placed on Schroders by the Board. These restrictions include limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, hedging, cash, derivatives and other financial instruments. Schroders is also responsible for ensuring that the voting rights held in respect of portfolio companies are used as part of a process of effective engagement with the management of portfolio companies. The Company also gives instructions to Schroders to ensure that it discharges the obligations of the UK Stewardship Code on its behalf.

Schroders, in its capacity as Company Secretary, liaises with the Company's corporate broker to assist in the implementation of the Company's discount management policy. The Company Secretary also advises the Board on key relationships with other third party service providers and ensures regular review of the services provided by those parties.

All services carried out by Schroders are subject to regular monitoring by the Board or its Committees.

Investment Policy

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

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

Report of the Directors

In order to maximise potential returns gearing may be employed by the Company from time to time. The Directors do not envisage net effective gearing levels in excess of 25% of shareholders' funds. Where appropriate the Directors may authorise the hedging of the Company's currency exposure to the Yen.

Spread of Investment Risk

Risk in relation to the Company's investments is spread as a result of the Manager monitoring the Company's portfolio with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objective. The key restrictions imposed on the Manager include a) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one company; b) no more than 10% of the value of the Company's gross assets may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other listed companies; c) no more than 15% of the Company's total net assets may be invested in open-ended funds and; d) no more than 25% of the Company's total net assets may be invested in the aggregate of unlisted investments and holdings representing 20% or more of the equity capital of any company. The Investment Portfolio on pages 7 and 8 demonstrates that, as at 31 July 2013, the Manager held 85 investments spread over several sectors. The largest investment, Toyota Motor, represented 6.8% of shareholders' funds at 31 July 2013. At the year end, the Company did not hold any unlisted investments, and did not hold any open-ended funds. The Board therefore believes that the objective of spreading risk has been achieved in this way.

Performance

An outline of performance, market background, investment activity and portfolio strategy during the year under review, as well as outlook, is provided in the Chairman's Statement and Investment Manager's Review.

Measuring Success – Key Performance Indicators

The Board has adopted key performance indicators ("KPIs") which assist it in measuring the development and success of the Company's business. The KPIs focus on the following areas: the measurement of the success of the Company's investment objective, the management of the discount and the level of expenses incurred in the running of the Company.

Investment Performance

The Board considers that monitoring the relative success of the Company's investment performance, measured against its established benchmark, is one of its most important roles. Performance against peer group companies is also reviewed.

Quarterly reports, including commentary on its view of markets, the impact of stock selection decisions and other attribution analyses, portfolio activity and strategy and outlook for the portfolio are provided by the Manager and form the basis of discussions at every board meeting. On a regular basis, the Board also reviews the investment processes of the Manager and considers reports from its broker on the perception of shareholders and the market on the Manager's performance, and the Company's strategy.

For the year ended 31 July 2013, the Company's net asset value produced a total return of 37.5% compared to a total return of 29.0% for the benchmark. Charts showing the Company's sector distribution and ten year performance measured against the benchmark as at 31 July 2013 can be found on pages 2 and 3 of this Report and Accounts.

Discount Management

The shares of the Company often trade at a discount to net asset value and the management of this discount is a key factor for the Board. The Board has therefore adopted a second KPI, which measures the success of the Board's strategy to limit volatility in the discount.

As the discount is a function of the balance between the supply and demand for the Company's shares and is dependent on sentiment towards the Japanese stock markets, a principal objective for the Board is to ensure that, through Schroders' marketing team and the Company's stockbrokers, potential shareholders and their advisers continue to be kept informed of the Company's progress and the ways they can invest in it. Share buy-backs are a more direct way of managing the discount. The discount of the Company's share price to its underlying net asset value and the discounts of peer group companies are monitored and the Board considers the use of its share buy-back authority on a regular basis.

Report of the Directors

During the year under review the share price traded at a discount to ex-income net asset value ranging from 5.5% to 15.0%.

Control of Total Expenses

The Board has adopted a third KPI which assists it in keeping the Ongoing Charges of the Company under review.

An analysis of the Company's costs, including the management fee, Directors' fees and administration expenses, is submitted to each Board meeting. The Management Engagement Committee, comprised entirely of independent Directors, considers the terms of the management agreement with the Manager, including the fee, on an annual basis. Services (including costs) provided by most other providers including bankers, auditors, insurance providers and printers are also reviewed annually.

The Ongoing Charges figure for the year ended 31 July 2013 (representing the management fee and all other operating expenses excluding finance costs, expressed as a percentage of the average daily net asset values during the year) was 1.45% (2012: 1.42%). The Ongoing Charges figure is calculated in accordance with guidance issued by the AIC in May 2012.

Principal Risks and Uncertainties

The Board has adopted a matrix of key risks which affect its business and a robust framework of internal control which is designed to monitor those risks to enable the Directors to mitigate them as far as possible and which assists in determining the nature and extent of the significant risks the Board is willing to take in achieving its strategic objectives. A full analysis of the Directors' system of internal control and its monitoring system is set out in the Corporate Governance Statement. The principal risks are considered to be as follows:

Financial Risk

The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in Japanese equity markets would have an adverse impact on the value of the Company's underlying investments. The Board considers the portfolio's risk profile at each Board meeting and discusses with the Manager appropriate strategies to mitigate any negative impact of substantial changes in markets.

The Company invests predominantly in underlying assets which are denominated in Yen and therefore has an exposure to changes in the exchange rate between Sterling and Yen which has the potential to have a significant effect on returns. While the Directors consider the Company's hedging policy on a regular basis, the Company did not engage in currency hedging to reduce the risk of currency fluctuations and the volatility of returns which might result from such currency exposure during the current or prior year.

The Company utilises a credit facility, currently in the amount of Yen 5 billion, which increases the funds available for investment through borrowing ("gearing"). Therefore, in falling markets, any reduction in the net asset value and, by implication, the consequent share price movement is amplified by the gearing. The Directors keep the Company's gearing under constant review and impose strict restrictions on borrowings to mitigate this risk. The Company's gearing continues to operate within pre-agreed limits so that net gearing does not represent more than 25% of shareholders' funds.

A full analysis of the financial risks facing the Company is set out in note 20 to the accounts on pages 34 to 38.

Strategic Risk

Over time, investment vehicles and asset classes can become out of favour with investors or may fail to meet their investment objectives. This may be reflected in a wide discount of the share price to underlying asset value. Directors periodically review whether the Company's investment remit remains appropriate and they continually monitor the success of the Company in meeting its stated objectives. Further details may be found under the sections on "Investment Performance" and "Discount Management" above.

Accounting, Legal and Regulatory Risk

In order to continue to qualify as an investment trust, the Company must comply with the requirements of Section 1158 of the Corporation Tax Act 2010. Should the Company not comply with these requirements, it might lose investment trust status and capital gains within the Company's portfolio could, as a result, be subject to Capital Gains Tax.

Report of the Directors

Breaches of the UK Listing Rules, the Companies Act or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes and damage the Company's reputation. Breaches of controls by service providers, including the Manager, could also lead to reputational damage or loss.

The Board's system of internal control seeks to mitigate the potential impact of these risks and it also relies on its advisers to assist it in ensuring continued compliance.

Future Developments

The future performance of the Company depends upon the success of the Company's investment strategy in the light of economic factors and Japanese equity market developments. Further comments on the outlook for the Company for the next 12 months are set out in both the Chairman's Statement on page 5 and the Investment Managers' Review on page 6.

Environmental Policy

As an investment trust, the Company has no direct social or environmental responsibilities; its policy is focussed on ensuring that its portfolio is properly managed and invested. The Company has however adopted an environmental policy, details of which are set out in the Corporate Governance Statement.

Revenue and Earnings

The net revenue return before finance costs and taxation for the year was £2,683,000 (2012: £1,922,000), and after deducting finance costs and taxation amounted to £2,354,000 (2012: £1,365,000), equivalent to net revenue of 1.88p (2012: 1.09p) per Ordinary share.

The Directors have recommended the payment of a final dividend for the year ended 31 July 2013 of 1.75p per share (2012: nil) payable on 11 November 2013 to shareholders on the Register on 18 October 2013, subject to approval by shareholders at the Annual General Meeting. As the Company has an accumulated negative balance on its revenue reserve, this dividend will be paid from capital as now permitted by the Company's Articles following shareholder approval in November 2012.

Directors and their Interests

The Directors of the Company and their biographical details can be found on the inside front cover of this Report. All Directors held office throughout the year under review and up to the date of signing this Report and Accounts, with the exception of Mrs Anja Balfour, who was appointed a Director of the Company on 1 May 2013.

In accordance with the Company's Articles of Association, Mrs Balfour will seek election at the forthcoming Annual General Meeting, this being the first Annual General Meeting since her appointment during the year. Full biographical details for Mrs Balfour may be found on the inside front cover of this Report and Accounts.

In accordance with the Company's Articles of Association and the Company's policy on tenure as outlined in the Corporate Governance Statement, Mr Scott and Mr Taylor will retire and, being eligible, offer themselves for re-election. Mr Kingzett is also required to stand for re-election each year in accordance with the UK Listing Rules, as he is an employee of Schroder Investment Management Limited, which receives fees from the Company in accordance with the Investment Management Agreement referred to below. He is not considered by the Board to be independent. Mr Peter Lyon is retiring from the Board and will not seek re-election at the Annual General Meeting.

No Director has any material interest in any other contract which is significant to the Company's business. The Board has assessed the independence of all Directors. Mr Taylor is considered to be independent in character and judgement, notwithstanding that he has served on the Board for more than nine years.

The Board, having reviewed its performance during the year, considers that each of Mr Scott, Mr Taylor and Mr Kingzett continues to demonstrate commitment to their roles and provides a valuable contribution to the deliberations of the Board. It therefore recommends that shareholders vote in favour of their re-elections and, in addition supports the election of Mrs Balfour.

Report of the Directors

The Directors' interests in the Company's share capital at the beginning and end of the financial year ended 31 July 2013, all of which were beneficial, were as follows:

Director	Ordinary shares of 10p each 31 July 2013	Ordinary shares of 10p each 1 August 2012
Jonathan Taylor	**5,000**	5,000
Anja Balfour*	**Nil**	N/A
Richard Greer	**31,689**	5,783
Jan Kingzett	**15,000**	15,000
Peter Lyon	**3,000**	3,000
John Scott	**8,170**	8,170

*Appointed on 1 May 2013.

There have been no changes in the above holdings between the end of the financial year and the date of this Report.

Share Capital

As at the date of this Report, the Company had 125,008,200 Ordinary shares of 10p each in issue. No shares were held in Treasury. Accordingly, the total number of voting rights in the Company at the date of this Report is 125,008,200. There was no change in the number of shares in issue during the year (2012: No change).

Substantial Share Interests

As at the date of this Report, the Company has received notifications in accordance with the FCA's Disclosure and Transparency Rule 5.1.2 R of the following direct or indirect interests in 3% or more of the voting rights attaching to the Company's issued share capital.

	Number of Ordinary shares	Percentage of total voting rights
1607 Capital Partners, LLC	14,567,892	11.65
Derbyshire County Council	9,025,000	7.22
Investec Wealth and Investment Limited	5,092,300	4.07

Investment Manager

The Directors believe that the Investment Manager has a strong management team which adopts a transparent investment strategy to assist the Company in meeting its investment objective. The Manager is supported by significant depth of knowledge and experience in Japan, with regional resources and local analysts. The Manager has demonstrated that it operates with stringent controls across all aspects of its business. Investment management is further supported by good quality administration.

Therefore the Directors consider the continuing appointment of the Investment Manager on the terms of the existing Investment Management Agreement to be in the best interests of the Company, and shareholders as a whole.

The Investment Management Agreement is terminable by either party on not less than one year's notice. At the date of this Report no such notice by either party had been given. The Investment Manager is entitled to a management fee at an annual rate of 1.00% 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 up to £150,000,000 and at an annual rate of 0.95% on assets above that amount. The investment management fee payable in respect of the year ended 31 July 2013 is shown in note 4 to the accounts on page 29.

During the year ended 31 July 2013 Schroders was entitled to receive a fee of £90,000 for secretarial services provided to the Company.

Policy for the Payment of Creditors

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. There were no outstanding trade creditors, other than purchases for future settlement, at 31 July 2013 (2012: £nil).

Report of the Directors

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements respectively.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Report of the Directors, Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

Each of the Directors, whose names and functions are set out in the inside front cover of this Report, confirms that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net profit of the Company; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Going Concern

The Directors believe that, having considered the Company's investment objective (see inside front cover), risk management policies (see note 20 to the accounts on pages 34 to 38), capital management policies and procedures (see note 21 to the accounts on page 38), expenditure projections and the fact that the Company's assets comprise readily realisable securities which can be sold to meet funding requirements if necessary, 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.

Corporate Governance Statement

The Company's Corporate Governance Statement is set out on pages 19 to 22 and forms part of the Report of the Directors.

Anti-Bribery Policy

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery policy which aims to prevent bribery being committed by Directors and persons associated with the Company on the Company's behalf and to ensure compliance with the Bribery Act 2010.

Independent Auditors

The Company's Auditors, PricewaterhouseCoopers LLP, have expressed their willingness to remain in office and resolutions to reappoint them as Auditors to the Company and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The Audit Committee remains satisfied with the effectiveness of the audit provided by PricewaterhouseCoopers LLP and therefore has not considered it necessary to require an independent tender process. The auditors are required

Report of the Directors

to rotate the Senior Statutory Auditor every five years and this is the first year that the current Senior Statutory Auditor has been in place.

The Audit Committee has adopted a pre-approval policy on the engagement of the Auditors to supply non-audit services to the Company. £2,000 (2012: £2,000) is payable to the Auditors for non-audit services provided in respect of taxation compliance.

Provision of Information to the Auditors

The Directors at the date of approval of this report confirm that, so far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Annual General Meeting ("AGM")

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your Ordinary shares in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The AGM will be held on Thursday, 7 November 2013 at 2.30 p.m. The formal notice of the AGM is set out on page 39.

Special Business to be Proposed at the AGM

Resolutions relating to the following items of special business will be proposed at the AGM:

Resolution 10 – Authority to Allot Shares (Ordinary Resolution) and Resolution 11 – Power to Disapply Pre-emption Rights (Special Resolution)

At the AGM on 7 November 2012, the Directors were granted authority to allot a limited number of new Ordinary shares for cash. No shares have been allotted under this authority, which will expire at the forthcoming AGM. At the AGM held in November 2012, power was also given to the Directors to allot a limited number of new Ordinary shares other than pro rata to existing shareholders. This authority will also expire at the forthcoming AGM and resolutions to renew both authorities will therefore be proposed at the forthcoming AGM, details of which are set out in full in the Notice of Meeting.

An ordinary resolution will be proposed to authorise the Directors to allot new Ordinary shares for cash up to a maximum aggregate nominal amount of £625,041 (being 5% of the issued share capital as at 4 October 2013). A special resolution will also be proposed to give the Directors power to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £625,041 (being 5% of the Company's issued share capital as at 4 October 2013).

The Directors intend to issue new Ordinary shares pursuant to these authorities if investor demand for them is strong. However, the Directors will issue Ordinary shares only when they believe it to be advantageous to the Company's existing shareholders to do so. The issue of new Ordinary shares will only be made at a premium to net asset value.

If renewed, both authorities will expire at the conclusion of the AGM in 2014 unless renewed or revoked earlier.

Resolution 12 – Authority to make Market Purchases of the Company's own Ordinary Shares (Special Resolution)

At the AGM on 7 November 2012, the Company was granted authority to make market purchases of up to 18,738,729 Ordinary shares for cancellation. No shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 18,738,729 Ordinary shares. This authority will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy-back its Ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of Ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the Ordinary shares in issue on

Report of the Directors

4 October 2013. The Directors will exercise this authority only if they consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled. The authority to be given at the 2013 AGM will lapse at the conclusion of the AGM in 2014, unless renewed or revoked earlier.

The maximum purchase price that may be paid for an Ordinary share will not be more than the greater of 5% above the average of the middle market values of the shares, as taken from the London Stock Exchange Daily Official List, for the five business days preceding the date of purchase and the higher of the price of the last independent trade in the shares and the highest then current independent bid for the shares on the London Stock Exchange. The minimum price will be 10p, being the nominal value per Ordinary share.

Recommendation

The Board considers that the resolutions relating to the above items of special business are in the best interests of the Company and shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming AGM, as they intend to do in respect of their own beneficial holdings.

By Order of the Board
Schroder Investment Management Limited
Company Secretary

4 October 2013

Remuneration Report

Introduction

This report is submitted in accordance with Sections 420-422 of the Companies Act 2006 (the "Act"). The report also meets the relevant provisions of the Listing Rules issued by the Financial Conduct Authority and describes how the Board has applied the principles relating to Directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the AGM. The Company's auditors are required to report on certain information contained within this report.

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

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £175,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors carry out in respect of Board and Committee responsibilities, and the time committed to the Company's affairs. The Directors' fees are reviewed annually by the Board. During the year ended 31 July 2013, Directors received fees of £17,000 and the Chairman received fees of £25,000 to reflect his more onerous role.

Following the annual review, fees to Directors will be increased with effect from 1 November 2013. The Chairman will receive a fee of £27,000 per annum and other Directors will receive fees of £18,500 per annum.

Additional fees are also paid for membership of each of the Audit, Management Engagement and Nomination Committees. The Committee fees are payable to members of each Committee for their contributions to the deliberations of such Committees. Members of the Audit Committee each receive an additional fee of £2,000 per annum and members of the Management Engagement and Nomination Committees each receive an additional £1,000 per annum. The Chairman of the Audit Committee receives an additional fee of £3,000 per annum.

No Director past or present has any entitlement to pensions and the Company has not awarded any share options or long-term performance incentives to any of the Directors. No element of the Directors' remuneration is performance-related.

The Board believes that the principles set out in Section D of the UK Corporate Governance Code relating to remuneration do not apply to the Company, except as outlined above, as the Company has no executive Directors.

No Director has a service contract with the Company. However, Directors have a letter of appointment with the Company under which they are entitled to one month's notice in the event of termination. The terms of appointment are available for inspection at the Company's Registered Office address during normal business hours and at the AGM.

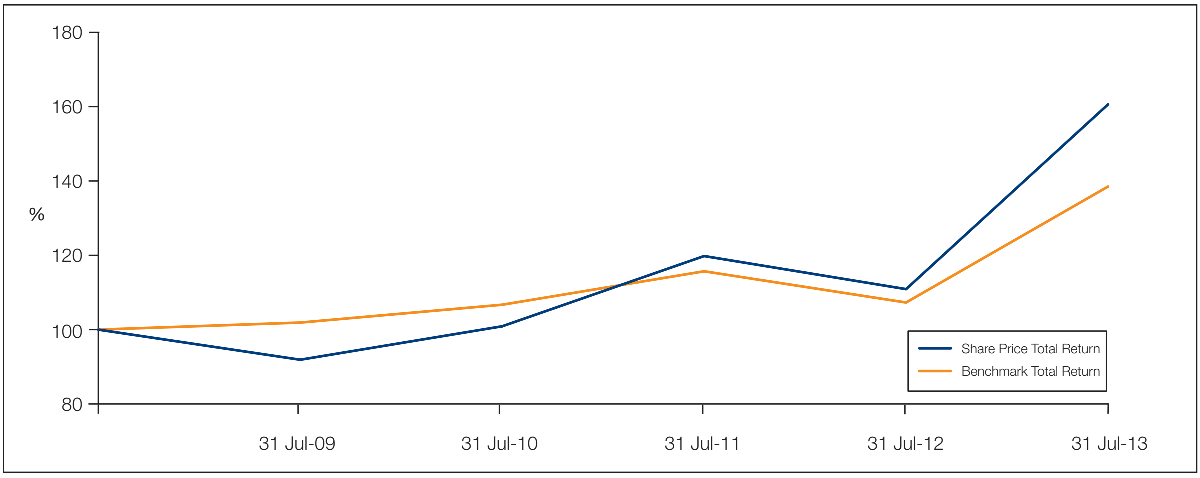
All Directors are appointed for an initial term covering the period from the date of their appointment until the first AGM thereafter, at which they are required to stand for election in accordance with the Articles of Association. Thereafter Directors retire by rotation at least every three years and as required by the Company's policy on tenure. The Chairman meets with each Director before such Director is proposed for re-election and, subject to the evaluation of performance carried out each year, the Board agrees whether it is appropriate for such Directors to seek an additional term.

When recommending whether an individual Director should seek re-election, the Board will take into account the provisions of the UK Corporate Governance Code, including the appropriateness of refreshing the Board and its Committees.

Remuneration Report

Performance Graph

The graph below shows the Company's share price total return compared with its benchmark, the TSE First Section Total Return Index, over the last 5 years.



Source: Morningstar/Thomson Financial Datastream. Rebased to 100 at 31 July 2008.

The following amounts were paid by the Company for services as non-executive Directors:

Director	**For the year ended 31 July 2013 – fees for services to the Company £**	For the year ended 31 July 2012 – fees for services to the Company £
Jonathan Taylor	**29,000**	29,000
Anja Balfour*	**5,250**	–
Richard Greer	**21,000**	21,000
Jan Kingzett	**18,000**	18,000
Peter Lyon	**21,000**	21,000
John Scott	**24,000**	21,000
	118,250	110,000

*Appointed 1 May 2013

Included in the above are fees amounting to £18,000 (2012: £18,000) payable to the Manager for making available the services of Mr Kingzett.

The information in the above table has been audited (see the Independent Auditors' Report on page 23).

By Order of the Board
Schroder Investment Management Limited
Company Secretary
4 October 2013

Corporate Governance

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment trust in order to comply with the principles of the UK Corporate Governance Code (the "Code"), which is applicable to the Company for the year under review. The Code is published by the FCA and is available to download from www.fca.gov.uk.

The Board has noted the publication of the revised UK Corporate Governance Code, which applies to financial years ending on or after 30 September 2013 and is considering the Company's corporate governance framework in light of the changes.

Compliance Statement

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities and Going Concern set out on page 14, indicates how the Company has complied with the principles of good governance of the Code and its requirements on Internal Control.

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

Application of Code Principles

Role of the Chairman

The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role and promoting a culture of openness and debate by facilitating the effective contribution of Directors, setting the Board's agenda and for ensuring that adequate time is available for discussion of all agenda items, including strategy.

Role of the Board

The Board is collectively responsible for the long-term success of the Company.

The Board determines and monitors the Company's investment objectives and policy, and considers the future strategic direction of the Company. Matters specifically reserved for decision by the Board have been adopted. The Board is responsible for presenting a balanced and understandable assessment of the Company's position and, where appropriate, its prospects in annual and half-yearly accounts and other forms of public reporting. It monitors and reviews the shareholder base of the Company, marketing and shareholder communication strategies, and evaluates the performance of all service providers, with input from its Committees where appropriate. A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company, where appropriate. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representative, who is responsible to the Board, inter alia, for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

Composition and Independence

The Board currently consists of six non-executive Directors. The biographies of each of these Directors, including their age and length of service, are set out on the inside front cover of this Report. The Board considers each of Mr Taylor, Mrs Balfour, Mr Greer, Mr Lyon and Mr Scott to be independent. Mr Kingzett is not deemed independent by virtue of his relationship with the Investment Manager.

The Board has no executive Directors and has not appointed a Chief Executive Officer as it has contractually delegated responsibility for the management of the Company's investment portfolio, the arrangement of custodial services and the provision of accounting and company secretarial services. The Company has no employees.

The Board is satisfied that it is of sufficient size with an appropriate balance of skills and experience, independence and knowledge of both the Company and the wider investment company industry to enable it to discharge its respective duties and responsibilities effectively and that no individual or group of individuals is, or has been, in a position to dominate decision making.

Board Committees

The Board has delegated certain responsibilities and functions to Committees. Terms of Reference for each of these Committees, which are reviewed annually, are available on the Company's website at www.schroderjapangrowthfund.com. Details of membership of the Committees as at 31 July 2013 may be found on the inside front cover of this Report and information regarding attendance at Committee meetings during the year under review may be found on page 21.

Corporate Governance

Audit Committee

The role of the Audit Committee, currently chaired by Mr Scott, is to ensure that the Company maintains the highest standards of integrity in financial reporting and internal control. The Board considers each member of the Committee to be independent. The Board also considers that members of the Committee have recent and relevant financial experience.

To discharge its duties, the Committee met on two occasions during the year ended 31 July 2013 and considered the annual and half-yearly accounts, the external Auditors' year-end report, management representation letters, the effectiveness of the audit process, the independence and objectivity of the external Auditors and internal controls operating within the management company and custodian.

Representatives of the Company's Auditors attend the Audit Committee meeting at which the draft Annual Report and Accounts are considered. Having reviewed the performance of the external Auditors, the Committee considered it appropriate to recommend their re-appointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting.

Management Engagement Committee

The role of the Management Engagement Committee, currently chaired by Mr Lyon, is to ensure that the Company's Investment Manager remains suitable to manage the portfolio, that the management contract is competitive and reasonable for the shareholders, and that the Company maintains appropriate administrative and company secretarial support. In addition, the Committee reviews fees paid to Directors and makes recommendations to the Board in this regard. The Board considers each member of the Committee to be independent.

To discharge its duties, the Committee met on one occasion during the year ended 31 July 2013 and considered the performance and suitability of the Investment Manager, the terms and conditions of the management contract and the fees paid to Directors.

Nomination Committee

The role of the Nomination Committee, currently chaired by Mr Lyon, is to consider and make recommendations to the Board on its composition so as to maintain an appropriate balance of skills, experience and diversity, including gender, and to ensure progressive refreshment of the Board. On individual appointments, the Committee leads the process and makes recommendations to the Board. The Board considers each member of the Committee, with the exception of Mr Kingzett, to be independent.

To discharge its duties, the members of the Committee met on two occasions during the year ended 31 July 2013 to consider the composition and balance of the Board, Board succession planning and the selection of suitable candidates for a new Director, subsequent to which the appointment of a new non-executive Director, Mrs Anja Balfour, was recommended to the Board for approval.

Before the appointment of a new Director, the Nomination Committee prepares a description of the role and capabilities required for a particular appointment, having evaluated the balance of skills, knowledge and experience and diversity of the Board. When considering whether to replace a Director, the Company's policy on tenure is also taken into account. In light of this evaluation, the Nomination Committee will consider a range of candidates sourced either from recommendation from within the Company or by using external consultants. As noted above, the Committee considered the appointment of a new non-executive Director during the year under review. The Committee did not consider that it was necessary to approach an external consultancy or use open advertising in considering this appointment as the calibre of candidates found from the Company's own sources was sufficiently high.

The Nomination Committee will assess potential candidates on merit against a range of criteria including experience, knowledge, professional skills and personal qualities as well as independence, if this is required for the role. Candidates' ability to commit sufficient time to the business of the Company is also key, particularly in respect of the appointment of the Chairman. The Chairman of the Nomination Committee is primarily responsible for interviewing suitable candidates and a recommendation will be made to the Board for final approval.

Tenure

The Directors have adopted a policy on tenure that is considered appropriate for an investment company. The Board does not believe that length of service, by itself, leads to a closer relationship with the Investment Manager or necessarily affects a Director's independence of character or judgement. Therefore, the independence of Directors will continue to be assessed on a case by case basis. In order to give shareholders the opportunity to endorse this policy, and in accordance with the provisions of the Code, any Director who has served for more than nine years will thereafter be subject to annual re-election by shareholders.

Induction and Training

The Board has adopted a full, formal and tailored induction programme for new Directors, which is administered by the Company Secretary. Directors are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and its internal controls. Regulatory and legislative changes affecting Directors' responsibilities are advised to the Board as they arise along with changes to best practice. Advisers to the

Corporate Governance

Company also prepare reports for the Board from time to time. In addition, the Chairman reviews the training and development needs of each Director annually, as part of the evaluation process outlined below.

Board Evaluation

The Board has adopted a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. The last evaluation took place in March 2013. The evaluation takes place in two stages, firstly, the evaluation of individual Directors is led by the Chairman, and the evaluation of the Chairman's performance is led by the Chairman of the Audit Committee. Secondly, the Board evaluates its own performance and that of its Committees. The Directors meet at least once a year without the Chairman present and the Chairman of the Audit Committee chairs this meeting.

Evaluation is conducted using a questionnaire combined with one to one meetings if appropriate. The Board has developed criteria for use at the evaluation, which focuses on the individual contribution to the Board and its Committees made by each Director, an analysis of the time which Directors are able to allocate to the Company to discharge their duties effectively and the responsibilities, composition and agenda of the Committees and of the Board itself.

Meetings and Attendance

The Board meets at least four times each year and, in addition, meets specifically to discuss strategy once each year. Additional meetings are also arranged as required and regular contact between Directors, the Investment Manager and the Company Secretary is maintained throughout the year. Representatives of the Investment Manager and Company Secretary attend each meeting and other advisers also attend when requested to do so by the Board. Attendance at the four scheduled Board meetings and at Committee meetings held during the year under review was as follows:

Director	Board	Audit Committee	Management Engagement Committee	Nomination Committee
Jonathan Taylor	4/4	2/2	1/1	2/2
Anja Balfour*	1/1	N/A	N/A	N/A
Richard Greer	4/4	2/2	1/1	2/2
Jan Kingzett	4/4	N/A	N/A	2/2
Peter Lyon	4/4	2/2	1/1	2/2
John Scott	3/4	1/2	1/1	2/2

*Appointed on 1 May 2013

The Board is satisfied that each of the Chairman and the other non-executive Directors commits sufficient time to the affairs of the Company to fulfil their duties as Directors.

Information Flows

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

Directors' and Officers' Liability Insurance

During the year, the Company has maintained insurance cover for its Directors and Officers under a Directors' and Officers' liability insurance policy.

Directors' Indemnities

The Company provides a Deed of Indemnity to each Director to the extent permitted by United Kingdom law whereby the Company is able to indemnify such Director against any liability incurred in proceedings in which the Director is successful, and for costs in defending a claim brought against the Director for breach of duty where the Director acted honestly and reasonably. The Deeds of Indemnity were in place throughout the year under review for each Director as appropriate.

Conflicts of Interest

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

Substantial Share Interests

Interests of 3% or more of the voting rights attaching to the Company's issued share capital, which have been notified to the Company, are set out in the Report of the Directors on page 13.

Corporate Governance

Relations with Shareholders
The Board believes that the maintenance of good relations with both institutional and retail shareholders is important for the long-term prospects of the Company. It has, since its launch, sought engagement with investors. The Chairman, and other Directors where appropriate, discuss governance and strategy with major shareholders and the Chairman ensures communication of shareholders' views to the Board. The Board receives feedback on the views of shareholders from its corporate broker and the Investment Manager.

The Board believes that the Annual General Meeting provides an appropriate forum for investors to communicate with the Board, and encourages participation. The Annual Report is, when possible, sent to shareholders at least 20 business days before the Annual General Meeting. The Annual General Meeting is typically attended by the full Board of Directors and proceedings include a presentation by the Investment Manager. There is an opportunity for individual shareholders to question the Chairmen of the Board and its Committees at the Annual General Meeting. Details of proxy votes received in respect of each resolution are made available to shareholders at the meeting and on the Company's website as soon as practicable after the meeting.

The Board believes that the Company's policy of reporting to shareholders as soon as possible after the Company's year-end and holding the earliest possible Annual General Meeting is valuable. The Notice of Meeting on page 39 sets out the business of the meeting.

Environmental Policy
The Company's primary investment objective is to achieve optimal financial returns for shareholders, within established risk parameters and regulatory constraints. Providing that this objective is not compromised in the process the Board does however, believe that it is also possible to develop a framework that, in the interests of our shareholders, allows a broader range of considerations, including environmental and social issues, to be taken into account when selecting and retaining investments. The investment process therefore contains a review of research into the environmental, social and ethical stance of companies. Where potential financial or reputational risks are identified, their materiality is assessed and given due consideration when selecting or retaining investments.

Exercise of Voting Rights and the UK Stewardship Code
The Company has delegated responsibility for voting to Schroders which votes in accordance with its corporate governance policy. A copy of this policy is available on the Company's website. The Board considers the UK Stewardship Code to be an important tool in shareholder engagement. Schroders' compliance with the principles of the UK Stewardship Code as revised in September 2012, is reported on its website, www.schroders.com.

Internal Control
The Code requires the Board at least annually to conduct a review of the adequacy of the Company's systems of internal control, including its risk management system, and report to shareholders that it has done so. The Board has undertaken a full review of all the aspects of the Turnbull Guidance, as revised in October 2005 (the "Turnbull Guidance"), under which the Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has approved a detailed Risk Map identifying significant strategic, investment-related, operational and service provider-related risks and has in place a monitoring system to ensure that risk management and all aspects of internal control are considered on a regular basis, and fully reviewed at least annually. The monitoring system assists in determining the nature and extent of the significant risks the Board is willing to take in achieving its strategic objectives.

The Board believes that the key risks identified and the implementation of a system to identify, evaluate and manage these risks are based upon and relevant to the Company's business as an investment trust. Risk assessment, which has been in place throughout the financial year and up to the date of this report, includes consideration of the scope and quality of the systems of internal control, including any whistleblowing policies where appropriate, adopted by the Investment Manager and other major service providers, and ensures regular communication of the results of monitoring by third parties to the Board, the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition. No significant control failings or weaknesses were identified during the course of the year and up to the date of this report, from the Board's on-going risk assessment.

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

The Company does not have an internal audit function as it employs no staff and contracts to third parties most of its operations. The Board will continue to monitor its system of internal control and will continue to take steps to embed the system of internal control and risk management into the operations of the Company. In doing so, the Audit Committee will review at least annually whether a function equivalent to an internal audit is needed.

Independent Auditors' Report

To the members of Schroder Japan Growth Fund plc

We have audited the financial statements of Schroder Japan Growth Fund plc for the year ended 31 July 2013 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 14, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2013 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 14, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Richard McGuire (Senior Statutory Auditor) for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors London
4 October 2013

Notes:

(a) The maintenance and integrity of the Schroder Japan Growth Fund plc website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement

for the year ended 31 July 2013

	Note	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Gains/(losses) on investments held at fair value through profit or loss	2	–	43,180	43,180	–	(5,796)	(5,796)
Net foreign currency gains/(losses)		–	2,911	2,911	–	(438)	(438)
Income from investments	3	3,645	–	3,645	3,707	–	3,707
Gross return/(loss)		3,645	46,091	49,736	3,707	(6,234)	(2,527)
Investment management fee	4	(496)	(1,158)	(1,654)	(1,376)	–	(1,376)
Administrative expenses	5	(466)	–	(466)	(409)	–	(409)
Net return/(loss) before finance costs and taxation		2,683	44,933	47,616	1,922	(6,234)	(4,312)
Finance costs	6	(70)	(164)	(234)	(298)	–	(298)
Net return/(loss) on ordinary activities before taxation		2,613	44,769	47,382	1,624	(6,234)	(4,610)
Taxation on ordinary activities	7	(259)	–	(259)	(259)	–	(259)
Net return/(loss) on ordinary activities after taxation		2,354	44,769	47,123	1,365	(6,234)	(4,869)
Return/(loss) per share	9	1.88p	35.81p	37.69p	1.09p	(4.99)p	(3.90)p

The "Total" column of this statement is the profit and loss account of the Company, and the "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Total column includes all the information that is required to be disclosed in a Statement of Total Recognised Gains and Losses ("STRGL"). For this reason a STRGL has not been presented.

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

The notes on pages 28 to 38 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 July 2013

	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 2011	12,501	7	97,205	3	26,612	(5,674)	130,654
Net (loss)/return on ordinary activities	–	–	–	–	(6,234)	1,365	(4,869)
At 31 July 2012	12,501	7	97,205	3	20,378	(4,309)	125,785
Net return on ordinary activities	–	–	–	–	44,769	2,354	47,123
At 31 July 2013	**12,501**	**7**	**97,205**	**3**	**65,147**	**(1,955)**	**172,908**

The notes on pages 28 to 38 form an integral part of these accounts.

Balance Sheet

at 31 July 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	192,647	139,932
Current assets			
Debtors	11	189	203
Cash and short-term deposits		1,023	10,763
		1,212	10,966
Current liabilities			
Creditors: amounts falling due within one year	12	(20,951)	(25,113)
Net current liabilities		(19,739)	(14,147)
Total assets less current liabilities		172,908	125,785
Net assets		172,908	125,785
Capital and reserves			
Called-up share capital	13	12,501	12,501
Share premium	14	7	7
Share purchase reserve	14	97,205	97,205
Warrant exercise reserve	14	3	3
Capital reserves	14	65,147	20,378
Revenue reserve	14	(1,955)	(4,309)
Total equity shareholders' funds		172,908	125,785
Net asset value per share	15	138.32p	100.62p

The accounts on pages 24 to 38 were approved and authorised for issue by the Board of Directors on 4 October 2013 and signed on its behalf by:

Jonathan Taylor
Chairman

The notes on pages 28 to 38 form an integral part of these accounts.

Cash Flow Statement

for the year ended 31 July 2013

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	**16**	**1,611**	1,533
Servicing of finance			
Interest paid		**(252)**	(303)
Net cash outflow from servicing of finance		**(252)**	(303)
Taxation			
Overseas tax paid		**(256)**	(257)
Investment activities			
Purchases of investments		**(26,997)**	(19,304)
Sales of investments		**17,640**	18,145
Net cash outflow from investment activities		**(9,357)**	(1,159)
Net cash outflow in the year	**17**	**(8,254)**	(186)

The notes on pages 28 to 38 form an integral part of these accounts.

Notes to the Accounts

for the year ended 31 July 2013

1. Accounting Policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006. United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in January 2009. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments at fair value through profit or loss.

The policies applied in these accounts are consistent with those applied in the preceding year.

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the investments are designated by the Company as "held at fair value through profit or loss". They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are last traded prices. The Company's investments are all traded in active markets.

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

(c) Accounting for reserves

Gains and losses on sales of investments, including the related foreign exchange gains and losses, are included in the Income Statement and in capital reserves within "Gains and losses on sales of investments". Increases and decreases in the valuation of investments held at the year end, including the related foreign exchange gains and losses are included in the Income Statement and in capital reserves within "Investment holding gains and losses".

Foreign exchange gains and losses on cash and deposit balances are included in the Income Statement and in capital reserves within "Gains and losses on sales of investments". Unrealised exchange gains and losses on foreign currency loans are included in the Income Statement and in capital reserves within "Holding gains and losses on investments".

(d) Income

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

Overseas dividends are included gross of any withholding tax.

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

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

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to the revenue column of the Income Statement with the following exceptions:

- The Board has, with effect from 1 August 2012, adopted an allocation policy whereby a proportion of indirect costs are allocated to the capital account. Based on the Board's expected long-term split of returns in the form of capital gains and income respectively, from the Company's investment portfolio, it has determined that 70% of the management fee will be allocated to capital and the remaining 30% to revenue. It had previously allocated the management fee wholly to revenue. The effect of this change on the Income Statement for the year ended 31 July 2013, is to increase net revenue return after taxation by £1,158,000 and to reduce net capital return by the same amount. Total return after taxation is unaffected by the change.
- Expenses incidental to the purchase or sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and mainly comprise brokerage commission. Details of transaction costs are given in note 10 on page 31.

(f) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest method and in accordance with the provisions of FRS 25 "Financial Instruments: Presentation" and FRS 26 "Financial Instruments: Measurement".

The Board has, with effect from 1 August 2012, adopted an allocation policy whereby a proportion of indirect costs are allocated to the capital account. Based on the Board's expected long-term split of returns in the form of capital gains and income respectively, from the Company's investment portfolio, it has determined that 70% of finance costs will be allocated to capital and the remaining 30% to revenue. It had previously allocated finance costs wholly to revenue. The effect of this change on the Income Statement for the year ended 31 July 2013, is to increase net revenue return after taxation by £164,000 and to reduce net capital return by the same amount. Total return after taxation is unaffected by the change.

Notes to the Accounts

(g) Financial instruments

Cash and short term deposits may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Other debtors and creditors do not carry any interest, are short-term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

Bank loans and overdrafts are classified as loans and receivables and are initially measured at fair value and subsequently measured at amortised cost. They are recorded at the proceeds received net of direct issue costs. Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest method.

(h) Taxation

Current tax is provided at the amounts expected to be paid or received.

Deferred tax is accounted for in accordance with FRS 19: "Deferred Tax".

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised.

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

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

(i) Foreign currency

In accordance with FRS 23: "The effects of changes in Foreign Currency Exchange Rates" the Company is required to nominate a functional currency. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that Sterling is the functional currency and the currency in which the accounts are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature.

2. Gains/(losses) on investments held at fair value through profit or loss

	2013 £'000	2012 £'000
Gains on sales of investments based on historic cost	**4,076**	7,942
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	**533**	(3,941)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**4,609**	4,001
Net movement in investment holding gains and losses	**38,571**	(9,797)
Gains/(losses) on investments held at fair value through profit or loss	**43,180**	(5,796)

3. Income

	2013 £'000	2012 £'000
Income from investments:		
Overseas dividends	**3,645**	3,707

4. Investment management fee

	2013			2012		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Management fee	**496**	**1,158**	**1,654**	1,376	–	1,376

The basis for calculating the investment management fee is set out in the Report of the Directors on page 13.

Notes to the Accounts

5. Administrative expenses

	2013 £'000	2012 £'000
Administration expenses	**238**	189
Directors' fees	**118**	110
Secretarial fee	**90**	90
Auditors' remuneration for audit services	**18**	18
Auditors' remuneration for taxation compliance services	**2**	2
	466	409

6. Finance costs

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Interest on bank loans and overdrafts	**70**	**164**	**234**	298	–	298

7. Taxation

(a) Analysis of charge in the year:

	2013 £'000	2012 £'000
Irrecoverable overseas tax	**259**	259
Current tax charge for the year	**259**	259

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2012: higher) than the Company's applicable rate of corporation tax for the year of 23.67% (2012: 25.33%).

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

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Net return/(loss) on ordinary activities before taxation	**2,613**	**44,769**	**47,382**	1,624	(6,234)	(4,610)
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 23.67% (2012: 25.33%)	**618**	**10,597**	**11,215**	411	(1,579)	(1,168)
Effects of:						
Capital returns on investments	**–**	**(10,910)**	**(10,910)**	–	1,579	1,579
Income not chargeable to corporation tax	**(863)**	**–**	**(863)**	(939)	–	(939)
Unrelieved expenses	**245**	**313**	**558**	528	–	528
Irrecoverable overseas tax	**259**	**–**	**259**	259	–	259
Current tax charge for the year	**259**	**–**	**259**	259	–	259

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £2,980,000 (2012: £2,886,000) based on a prospective corporation tax rate of 20% (2012: 23%). The reduction in the standard rate of corporation tax was substantively enacted in July 2013 and will be effective from 1 April 2015. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

Given the Company's intention to meet the conditions required to obtain approval as an Investment Trust Company, no provision has been made for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

Notes to the Accounts

8. Dividends

Dividend proposed	2013 £'000	2012 £'000
2013 final dividend proposed of 1.75p (2012: nil)	**2,188**	–

The requirements of Section 1158 of the Corporation Tax Act 2010 are considered on the basis of the dividend proposed in respect of the financial year as shown above and on the Company's net revenue return on ordinary activities after taxation of £2,354,000. This is the first dividend proposed by the Company. In prior years, despite having positive net revenue returns after tax, the Company has been unable to pay dividends due to the negative accumulated balance on its revenue reserve. However due to a change both in Company Law and the Company's Articles, the Company is now permitted to pay dividends out of capital.

9. Return/(loss) per share

	2013 £'000	2012 £'000
Revenue return	**2,354**	1,365
Capital return/(loss)	**44,769**	(6,234)
Total return/(loss)	**47,123**	(4,869)
Weighted average number of ordinary shares in issue during the year	**125,008,200**	125,008,200
Revenue return per share	**1.88p**	1.09p
Capital return/(loss) per share	**35.81p**	(4.99)p
Total return/(loss) per share	**37.69p**	(3.90)p

10. Investments held at fair value through profit or loss

	2013 £'000	2012 £'000
Opening book cost	**135,577**	126,792
Opening investment holding gains	**4,355**	18,093
Opening valuation	**139,932**	144,885
Purchases at cost	**27,143**	18,996
Sales proceeds	**(17,608)**	(18,153)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**4,609**	4,001
Net movement in investment holding gains and losses	**38,571**	(9,797)
Closing valuation	**192,647**	139,932
Closing book cost	**149,188**	135,577
Closing investment holding gains	**43,459**	4,355
Total investments held at fair value through profit or loss	**192,647**	139,932

All investments are listed on a recognised stock exchange.

During the year, prior year investment holding gains amounting to £533,000 have been transferred to gains and losses on sales of investments.

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

	2013 £'000	2012 £'000
On acquisitions	**21**	18
On disposals	**12**	10
	33	28

Notes to the Accounts

11. Debtors

	2013 £'000	2012 £'000
Securities sold awaiting settlement	**30**	62
Dividends and interest receivable	**149**	124
Other debtors	**10**	17
	189	203

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

12. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Bank loan	**20,119**	24,516
Securities purchased awaiting settlement	**185**	39
Other creditors and accruals	**647**	558
	20,951	25,113

The bank loan comprises Yen 3 billion drawn down on the Company's Yen 5 billion credit facility (2012: Yen 3 billion) with Scotiabank. The facility is unsecured but is subject to covenants and restrictions which are customary for a facility of this nature and all of these have been complied with. Further details of the facility are given in note 20 on page 36. The loan at 31 July 2012 comprised Yen 3 billion drawn down on the preceding credit facility with Scotiabank.

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

13. Called-up share capital

	2013 £'000	2012 £'000
Ordinary shares allotted, called-up and fully paid:		
125,008,200 ordinary shares of 10p each	**12,501**	12,501

14. Reserves

				Capital reserves		
	Share premium £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Gains and losses on sales of investments £'000	Investment holding gains and losses £'000	Revenue reserve £'000
Opening balance	7	97,205	3	17,342	3,036	(4,309)
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	4,609	–	–
Net movement in investment holding gains and losses	–	–	–	–	38,571	–
Transfer on disposal of investments	–	–	–	(533)	533	–
Realised exchange losses on cash and short-term deposits	–	–	–	(1,486)	–	–
Exchange gain on foreign currency loan	–	–	–	–	4,397	–
Management fee and finance costs allocated to capital	–	–	–	(1,322)	–	–
Retained revenue for the year	–	–	–	–	–	2,354
Closing balance	**7**	**97,205**	**3**	**18,610**	**46,537**	**(1,955)**

Notes to the Accounts

15. Net asset value per share

	2013	2012
Net assets attributable to shareholders (£'000)	**172,908**	125,785
Shares in issue at the year end	**125,008,200**	125,008,200
Net asset value per share	**138.32p**	100.62p

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

	2013 £'000	2012 £'000
Total return/(loss) on ordinary activities before finance costs and taxation	**47,616**	(4,312)
Less capital (return)/loss on ordinary activities before finance costs and taxation	**(44,933)**	6,234
Less management fee allocated to capital	**(1,158)**	–
Increase in accrued dividends and interest receivable	**(25)**	(35)
Decrease/(increase) in other debtors	**7**	(2)
Increase/(decrease) in accrued expenses	**104**	(352)
Net cash inflow from operating activities	**1,611**	1,533

17. Analysis of changes in net debt

	2012 £'000	Cash flow £'000	Exchange movements £'000	2013 £'000
Cash and short-term deposits	10,763	(8,254)	(1,486)	**1,023**
Bank loan	(24,516)	–	4,397	**(20,119)**
Net debt	(13,753)	(8,254)	2,911	**(19,096)**

18. Transactions with the Manager

The Company has appointed Schroder Investment Management Limited (the "Manager"), a wholly owned subsidiary of Schroders plc, to provide investment management, accounting, secretarial and administration services. If the Company invests in funds managed or advised by the Manager or any of its associated companies, those funds are excluded from the assets used for the purposes of the management fee calculation and therefore attract no fee. Under the terms of the Investment Management Agreement, the Manager is also entitled to receive a secretarial fee. Details of the Investment Management Agreement are given in the Report of the Directors on page 13.

The management fee payable in respect of the year ended 31 July 2013 amounted to £1,654,000 (2012: £1,376,000), of which £473,000 (2012: £349,000) was outstanding at the year end. The total secretarial fee, including VAT, payable to the Manager amounted to £90,000 (2012: £90,000) of which £45,000 (2012: £71,000) was outstanding at the year end.

Mr Kingzett was an employee of Schroders throughout the year.

19. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 29 that are held at fair value comprise its investment portfolio. The Company currently holds no derivative financial instruments and its liabilities are not held at fair value.

The investments are categorised into a hierarchy consisting of the following three levels:

Level 1 – valued using quoted prices in active markets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted market prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

Details of the valuation techniques used by the Company are given in note 1(b) on page 28.

Notes to the Accounts

The following table sets out the fair value measurements using the FRS 29 hierarchy at 31 July:

			2013	
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets held at fair value through profit or loss				
Equity investments	**192,647**	**–**	**–**	**192,647**
Total	**192,647**	**–**	**–**	**192,647**

			2012	
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit or loss				
Equity investments	139,932	–	–	139,932
Total	139,932	–	–	139,932

There have been no transfers between Levels 1, 2 or 3 during the year (2012: nil).

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

As an investment trust, the Company invests in equities for the long-term so as to secure its investment objective stated on the inside front cover. In pursuing this objective, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets. These risks include market risk (comprising currency risk, interest rate risk and market price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Board coordinates the Company's risk management policy.

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

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

– investments in shares of Japanese companies which are held in accordance with the Company's investment objective;

– short-term debtors, creditors and cash arising directly from its operations; and

– a Yen credit facility with Scotiabank, the purpose of which is to assist in financing the Company's operations.

(a) Market risk

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

(i) Currency risk

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

Management of currency risk

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

Notes to the Accounts

Foreign currency exposure

The fair value of the Company's monetary items that have exposure to the Yen at 31 July are shown below. The Company's investments (which are not monetary items) have been included separately in the analysis so as to show the overall level of exposure.

	2013 £'000	2012 £'000
Debtors (securities sold awaiting settlement, dividends and interest receivable)	**179**	186
Cash and short-term deposits	**841**	10,565
Creditors (securities purchased awaiting settlement)	**(185)**	(39)
Bank loan (including accrued interest payable)	**(20,167)**	(24,582)
Foreign currency exposure on net monetary items	**(19,332)**	(13,870)
Investments held at fair value through profit or loss that are equities	**192,647**	139,932
Total net foreign currency exposure	**173,315**	126,062

The above year end amounts are broadly representative of the exposure to foreign currency risk during the current and comparative year.

Foreign currency sensitivity

The following tables illustrate the sensitivity of return after taxation for the year and net assets with regard to the Company's monetary financial assets, financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and assumes a 10% (2012: 10%) appreciation or depreciation in Sterling against the Yen, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

If Sterling had weakened by 10% this would have had the following effect:

	2013 £'000	2012 £'000
Income statement – return after taxation		
Revenue return	**332**	315
Capital return	**(1,950)**	(1,387)
Total return after taxation for the year	**(1,618)**	(1,072)
Net assets	**(1,618)**	(1,072)

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

	2013 £'000	2012 £'000
Income statement – return after taxation		
Revenue return	**(332)**	(315)
Capital return	**1,950**	1,387
Total return after taxation for the year	**1,618**	1,072
Net assets	**1,618**	1,072

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

(ii) Interest rate risk

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

Management of interest rate risk

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

The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when the Company borrows on the credit facility. However, amounts drawn down on this facility are for short-term periods and therefore exposure to interest rate risk is not significant.

Notes to the Accounts

Interest rate exposure

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

	2013 £'000	2012 £'000
Exposure to floating interest rates:		
Cash at bank and short-term deposits	**1,023**	10,763
Creditors: amounts falling due within one year – borrowings on the credit facility	**(20,119)**	(24,516)
Total exposure	**(19,096)**	(13,753)

Interest receivable on cash balances is at a margin below LIBOR (2012: same).

During the year, the Company arranged a Yen 3 billion 364 day revolving credit facility with Scotiabank, and this was increased to Yen 5 billion in July 2013. The Facility expires in May 2014. Interest is payable at a rate of Yen LIBOR as quoted in the market for the loan period plus a margin, plus Mandatory Costs, which are the lender's costs of complying with certain regulatory requirements of the Bank of England. At 31 July 2013, the Company had drawn down Yen 3 billion on this facility at an interest rate of 1.11% per annum. At 31 July 2012, the Company had drawn down Yen 3 billion on the preceding facility with Scotiabank.

The above year end amounts are not representative of the exposure to interest rates during the year as the level of cash balances has fluctuated. The maximum and minimum net interest rate exposure during the year has been as follows:

	2013 £'000	2012 £'000
Maximum interest rate exposure during the year – net loan balances	**(19,096)**	(14,800)
Minimum interest rate exposure during the year – net loan balances	**(13,753)**	(11,882)

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1.0% (2012: 1.0%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2013		2012	
	1.0% increase in rate £'000	**1.0% decrease in rate £'000**	1.0% increase in rate £'000	1.0% decrease in rate £'000
Income statement – return after taxation				
Revenue return	**(50)**	**50**	(138)	138
Capital return	**(141)**	**141**	–	–
Total return after taxation	**(191)**	**191**	(138)	138
Net assets	**(191)**	**191**	(138)	138

In the opinion of the Directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances and drawings on the credit facility.

(iii) Market price risk

Market price risk includes changes in market prices, other than those arising from interest rate risk, which may affect the value of equity investments.

Management of market price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

Market price risk exposure

The Company's total exposure to changes in market prices at 31 July comprises its holdings in equity investments as follows:

	2013 £'000	2012 £'000
Equity investments held at fair value through profit or loss	**192,647**	139,932

The above data is broadly representative of the exposure to market price risk during the year.

Notes to the Accounts

Concentration of exposure to market price risk

An analysis of the Company's investments is given on pages 7 and 8. The portfolio principally comprises securities listed on Japanese stock markets. Accordingly there is a concentration of exposure to that country. However it should be noted that an investment may not be entirely exposed to the economic conditions in its country of listing.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2012: 10%) in the fair values of the Company's equities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities and includes the impact on the management fee but assumes that all other variables are held constant.

	2013		2012	
	10% increase in fair value £'000	**10% decrease in fair value £'000**	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	**(58)**	**58**	(140)	140
Capital return	**19,130**	**(19,130)**	13,993	(13,993)
Total return after taxation and net assets	**19,072**	**(19,072)**	13,853	(13,853)
Percentage change in net asset value	**11.0%**	**11.0%**	11.0%	11.0%

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. Short-term flexibility is achieved through the use of a credit facility.

The Board's policy is for the Company to remain fully invested in normal market conditions and that the credit facility be used to manage working capital requirements and to gear the Company as appropriate.

Liquidity risk exposure

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

	Three months or less 2013 £'000	Three months or less 2012 £'000
Creditors: amounts falling due within one year		
Bank loan – including interest	**20,120**	24,522
Securities purchased awaiting settlement	**185**	39
Other creditors and accruals	**647**	558
	20,952	25,119

(c) Credit risk

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

Management of credit risk

This risk is not significant and is managed as follows:

Portfolio dealing

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

Cash

Counterparties are subject to daily credit analysis by the Manager. Cash balances will only be deposited with reputable banks with high quality credit ratings.

Notes to the Accounts

Exposure to the Custodian

JPMorgan Chase is the Custodian of the Company's assets. The Company's assets are segregated from JPMorgan Chase's own trading assets and are therefore protected from creditors in the event that JPMorgan Chase were to cease trading.

Credit risk exposure

The following amounts shown in the Balance Sheet, represent the maximum exposure to credit risk at the current and comparative year end.

	2013 Balance sheet £'000	**2013** Maximum exposure £'000	2012 Balance sheet £'000	2012 Maximum exposure £'000
Fixed assets				
Investments held at fair value through profit or loss	**192,647**	**–**	139,932	–
Current assets				
Debtors – dividends, interest receivable and other debtors	**189**	**189**	203	203
Cash and short-term deposits	**1,023**	**1,023**	10,763	10,763
	193,859	**1,212**	150,898	10,966

No debtors are past their due date and none have been provided for.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either carried in the balance sheet at fair value or the balance sheet amount is a reasonable approximation of fair value.

21. Capital management policies and procedures

The Company's objectives, policies and processes for managing capital are unchanged from the preceding year.

The Company's debt and capital structure comprises the following:

	2013 £'000	2012 £'000
Debt		
Bank loan	**20,119**	24,516
Equity		
Called-up share capital	**12,501**	12,501
Reserves	**160,407**	113,284
Total equity	**172,908**	125,785
Total debt and equity	**193,027**	150,301

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the capital return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to limit gearing to 25%. Gearing for this purpose is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

	2013 £'000	2012 £'000
Borrowings used for investment purposes, less cash	**19,096**	13,753
Net assets	**172,908**	125,785
Gearing	**11.0%**	10.9%

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

– the planned level of gearing, which takes into account the Manager's views on the market;

– the need to buy back equity shares for cancellation, which takes into account the share price discount;

– the opportunity for issues of new shares; and

– the level of dividend distribution in excess of that which is required to be distributed.

Notice of Meeting

NOTICE is hereby given that the Annual General Meeting of Schroder Japan Growth Fund plc will be held at 2.30 p.m. on Thursday, 7 November 2013 at 31 Gresham Street, London EC2V 7QA (the "Meeting") to consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 10 will be proposed as Ordinary Resolutions and resolutions 11 and 12 will be proposed as Special Resolutions.

1. To receive the Report of the Directors and the audited accounts for the year ended 31 July 2013.
2. To approve a final dividend of 1.75p per share for the financial year ended 31 July 2013.
3. To approve the Remuneration Report for the year ended 31 July 2013.
4. To elect Mrs Anja Balfour as a Director of the Company.
5. To re-elect Mr John Scott as a Director of the Company.
6. To re-elect Mr Jonathan Taylor as a Director of the Company.
7. To re-elect Mr Jan Kingzett as a Director of the Company.
8. To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company.
9. To authorise the Directors to determine the remuneration of PricewaterhouseCoopers LLP as Auditors of the Company.
10. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:
    "That the Directors be and are hereby generally and unconditionally authorised, in substitution for all subsisting authorities in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £625,041 (representing 5% of the share capital in issue on 4 October 2013); and provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company but so that this authority shall enable the Company to make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry."
11. To consider and, if thought fit, to pass the following resolution as a special resolution:
    "That, subject to the passing of resolution 10 set out above, the Directors be and they are hereby empowered, pursuant to section 571 of the Act, to allot equity securities (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said resolution 10 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £625,041 (representing 5% of the aggregate nominal amount of the share capital in issue on 4 October 2013); and provided that this power shall expire on the date of the next Annual General Meeting of the Company, but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."
12. To consider and, if thought fit, to pass the following resolution as a special resolution:
    "That the Company be and is hereby generally and unconditionally authorised in accordance with section 693 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary shares of 10p each in the capital of the Company ("Shares"), at whatever discount the prevailing market price represents to the prevailing net asset value per share provided that:
    (a) the maximum number of Shares hereby authorised to be purchased shall be 18,738,729, representing 14.99% of the issued share capital as at 4 October 2013;
    (b) the minimum price which may be paid for a Share is 10p;
    (c) the maximum price which may be paid for a Share is an amount equal to the greater of (i) 105% of the average of the middle market quotations for a Share of the class being purchased taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Share is purchased, and (ii) the higher of the price of the last independent trade in the Shares of that class and the highest then current independent bid for the Shares of that class on the London Stock Exchange;
    (d) purchases may only be made pursuant to this authority if the Shares are (at the date of the proposed purchase) trading on the London Stock Exchange at a discount to the net asset value;
    (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed or revoked prior to such time; and
    (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract."

By Order of the Board
Schroder Investment Management Limited
Company Secretary

Registered Office:
31 Gresham Street
London EC2V 7QA

Registered Number: 2930057
4 October 2013

Explanatory Notes

1. Ordinary shareholders are entitled to attend and vote at the meeting and to appoint one or more proxies, who need not be a shareholder, as their proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting.

   A proxy form is enclosed. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0800 032 0641 (or +44 121 415 0207 for overseas shareholders), or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

   On a vote by show of hands, every Ordinary shareholder who is present in person has one vote and every duly appointed proxy who is present has one vote. On a poll vote, every Ordinary shareholder who is present in person or by way of a proxy has one vote for every share of which he/she is a holder.

   The "Vote Withheld" option on the proxy form is provided to enable you to abstain on any particular resolution. However it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

   A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically, will need to enter the Voting ID and Shareholder Reference ID set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk and clicking on the link to vote. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 2.30 p.m. on 5 November 2013. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 (or +44 121 415 0207 for overseas shareholders).

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

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

   Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the general meeting. Please contact the Registrar if you need any further guidance on this.

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

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

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.00 p.m on 5 November 2013, or 6.00 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.00 p.m. on 5 November 2013 shall be disregarded in determining the right of any person to attend and vote at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.

5. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.

6. The biographies of the Directors offering themselves for election or re-election are set out on the inside front cover of the Company's Annual Report and Accounts for the year ended 31 July 2013.

7. As at 4 October 2013, 125,008,200 Ordinary shares of 10 pence each were in issue (no shares were held in Treasury). The total number of voting rights of the Company as at 4 October 2013 is 125,008,200.

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

9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Company Summary and Shareholder Information

The Company

Schroder Japan Growth Fund plc is an independent investment trust, whose shares are listed on the London Stock Exchange. As at 4 October 2013, the Company had 125,008,200 Ordinary shares of 10p each in issue. 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 Total Return Index.

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 Annual General Meeting in 2014 and thereafter at five yearly intervals.

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 the Report and Accounts and other documents published by the Company as well as information on the Directors, Terms of Reference of Committees and other governance arrangements. In addition, the site contains links to announcements made by the Company to the market, Equiniti's shareview service and Schroders' website. There is also a section entitled "How to Invest" 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 at 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. Other telephone providers' costs may vary.

Equiniti 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. Please visit www.shareview.co.uk for more details.

Association of Investment Companies

The Company is a member of the Association of Investment Companies. Further information on this association can be found on its website, www.theaic.co.uk.

www.schroderjapangrowthfund.com

Schroders