Schroder
Japan Growth Fund plc

Half Yearly Report to 31 January 2011

Schroders

Investment Objective

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

Directors

Jonathan Taylor (Chairman)
Richard Greer
Jan Kingzett
Peter Lyon
John Scott
Yoshindo Takahashi

Advisers

Investment Manager and Company Secretary
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Contents

Financial Highlights

	31 January 2011	31 July 2010	% Change
Total assets (£'000)*	**154,480**	137,076	12.7
Borrowings (£'000)	**(22,860)**	(22,105)	3.4
Shareholders' funds (£'000)	**131,620**	114,971	14.5
Shares in issue ('000)	**125,008**	125,008	–
Net asset value per share	**105.29p**	91.97p	14.5
Share price	**93.00p**	78.25p	18.9
Share price discount	**11.67%**	14.92%	–
TSE First Section Total Return Index Level (in sterling terms)**	**8.70**	7.78	11.8
Yen rate to Sterling	**131.23**	135.72	(3.3)
Market capitalisation (£'000)	**116,258**	97,819	18.9

* Calculated in accordance with AIC guidance and comprises shareholders' funds plus gearing used for investment purposes.
** Source: Thomson Financial Datastream.

Ten Largest Investments

As at 31 January 2011 **Company and Activities**	**Market Value of Holding £'000**	**% of Shareholders' Funds**
Toyota Motor Automobile manufacturer	7,954	6.04
Mitsui General trading company	6,362	4.83
SK Kaken Paint manufacturer for construction	4,705	3.57
Hi Lex Automobile cables manufacturer	4,528	3.44
East Japan Railway Railway company	4,130	3.14
Bridgestone Automobile tyre manufacturer	4,083	3.10
Ricoh Copiers and printers manufacturer	3,875	2.94
Nidec Small and medium size spindle manufacturer	3,829	2.91
Tachihi Enterprise Real estate investment	3,504	2.66
NKSJ Holdings Non-life and life insurance	3,243	2.46
Total	**46,213**	**35.09**

At 31 July 2010, the ten largest investments represented 35.32% of Shareholders' Funds.

Analysis of the Portfolio Sector Distribution with the TSE First Section Index (%) as at 31 January 2011

	Valuation £'000	% of Portfolio	% of Index
Chemicals	16,567	11.15	6.0
Transportation Equipment	13,693	9.22	10.3
Wholesale Trade	13,092	8.82	5.4
Electrical Appliances	11,823	7.96	14.8
Banks	11,466	7.72	9.3
Retail Trade	10,291	6.93	3.5
Land Transportation	8,608	5.80	3.5
Real Estate	7,961	5.36	2.5
Machinery	7,627	5.14	5.1
Pharmaceutical	6,278	4.23	4.4
Insurance	6,138	4.13	2.5
Information & Communication	5,573	3.75	5.4
Construction	4,840	3.26	2.0
Services	4,823	3.25	1.7
Rubber Products	4,433	2.98	0.6
Glass & Ceramic Products	3,235	2.18	1.3
Precision Instruments	2,987	2.01	1.4
Securities & Commodity Futures	2,884	1.94	1.5
Oil & Coal Products	2,432	1.64	0.9
Mining	1,202	0.81	0.6
Iron & Steel	964	0.65	2.3
Other Products	862	0.58	2.1
Non-Ferrous Metals	727	0.49	1.3
Electric Power & Gas	–	–	4.7
Foods	–	–	2.9
Textiles & Apparels	–	–	0.9
Other Financing Business	–	–	0.8
Metal Products	–	–	0.7
Marine Transportation	–	–	0.6
Pulp & Paper	–	–	0.4
Air Transportation	–	–	0.3
Warehousing & Harbour Transport	–	–	0.2
Fishery, Agriculture & Forestry	–	–	0.1
Total	**148,506**	**100.00**	**100.00**

Interim Management Report

Chairman's Statement

Background

Every shareholder will be aware of the earthquake which hit Japan on 11th March, bringing with it, first, a tsunami which is likely to have killed over 20,000 people and, secondly, a continuing radiation crisis at the Fukushima nuclear power plant. This report deals with the six months to 31 January 2011 but, since the end of the period, the market has seen significant volatility. Further comment on recent performance and investment policy in the aftermath of the earthquake-related disasters may be found in the Investment Manager's Review.

Performance

The six-month period to 31 January 2011 was a positive one for the Japanese market which rose by 8.1% in local currency terms. At the same time, the yen strengthened against sterling over the period so that the net effect was that, measured in sterling terms, the TSE First Section Total Return Index produced a positive total return of 11.8% over the period. The Company's net asset value per share out-performed the Index, increasing by 14.5% (from 91.97p per share to 105.29p per share).

The Company's share price increased by 18.9% as the discount narrowed from 14.9% to 11.7% as sentiment improved.

Gearing Policy

During the period the Company maintained its borrowings at ¥3 billion. All of the borrowings were obtained via a revolving secured credit facility to provide flexibility. The gearing continues to be operated within the limits agreed by the Board. At the beginning of the period, the effective gearing ratio (borrowings less cash and short-term deposits as a percentage of net assets) was 12.7% and the level was not significantly different at 31 January 2011 (12.5%).

Outlook

Less than a month after the events in Tohoku, it is difficult to anticipate how quickly the Japanese people and economy will recover from the terrible damage – particularly as the threat of nuclear leaks remains. The policy response so far has been domestic monetary easing and co-ordinated intervention to try to stop the yen appreciating, while the government has agreed an interim budget releasing funds for reconstruction with a further budget planned for April. All of this will help the corporate sector as the nation finds its feet, while the Investment Manager points to the low valuations that shares sell on.

It is no consolation to those directly involved that following the Kobe earthquake 16 years ago the Japanese equity market regained its pre-earthquake levels within a year, with seemingly little major impact on a developing economic recovery. However, the scale of the current direct damage is estimated to be greater than in 1995.

There are many remarkable aspects to the Japanese people's response so far, among them the maintenance of calm in the face of the threat of nuclear contamination and national spirit of solidarity and purpose which has emerged. All of these strengthen my view that Japan and its economy will recover faster than some are suggesting and emerge stronger as a result.

Our sympathy, in the meantime, is with the whole country.

Jonathan Taylor
Chairman
31 March 2011

Interim Management Report (continued)

Investment Manager's Review

Market Background

While the Japanese stockmarket this month has been dominated by the impact of the Tohoku earthquake, during the six months to the end of January 2011 it rose 11.8% in sterling terms.

The period saw a return to international favour for Japanese equities. The background to this was domestic monetary easing, more optimism surrounding the US economy, and perceived problems in the emerging world which drew money to Japan partly by default. Market-sensitive, cyclicals and commodity-sensitive sectors did best, at the expense of defensives such as utilities and pharmaceuticals.

The Company's NAV outperformed the broader market, rising by 14.5% in sterling terms. This outperformance was due to the portfolio's gearing and pro-cyclical bias, with stocks like Mitsui & Co. and Hi-Lex rebounding at a time that not holding utilities was also beneficial. The main negative was technology stock selection, with Ricoh and Nidec performing poorly in part due to concerns surrounding their business models stemming from the success of tablet PCs.

Outlook

Reacting to the appalling events caused by the earthquake, the market initially fell by over 16%, but by the end of March more than half this loss had been recouped. The devastation and dislocations create considerable uncertainty. Preventing radiation leakage at the Fukushima nuclear power plants is pivotal to the outlook. Assuming this is achieved, the fall already seen in the market would appear to discount the impact on economic activity.

The differences with the 1995 Kobe earthquake are the power disruptions and nuclear angle. As a result the short term hit to economic activity and confidence is likely to be more prolonged. Partly offsetting this are swifter policy action and the prospect (for the time being at least) of an end to political gridlock at a time of national crisis. Profit forecasts will be revised down but a V-shaped rebound will ensue at some point as in 1995 when the emergency policy response and rebuilding make an impact. The market, meanwhile, looks cheap on both an international and historic comparison (it is lower than in 1995, for example) and seems likely to attract more international interest if the worst case scenario is avoided.

Beyond the earthquake the main risks are political and geopolitical. The former is less of an issue in the short term as mentioned above. The latter is ongoing. Japan is an efficient consumer of oil but significant rises in the price of oil from here would have an impact on profits.

Investment Policy

Preliminary analysis suggests that, excluding the impact of power outages, around half the portfolio has had no impact from the earthquake in terms of production and sales, and only two holdings – East Japan Railway and oil refiner JX Holdings – had major direct damage, some of which is insured.

If the nuclear uncertainty is resolved, the recovery potential is real – as indeed happened after the Kobe earthquake. The portfolio continues with its pro-cyclical bias, with overweights in trading companies and retailers at the expense of utilities and food companies. Net gearing is currently 13%.

Schroder Investment Management Limited
31 March 2011

Interim Management Report (continued)

Principal Risks and Uncertainties

The principal risks and uncertainties with the Company's business fall into the following categories: financial risk; gearing; strategic risk; and accounting, legal and regulatory risk. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 10 and 11 of the Company's published Annual Report and Accounts for the year ended 31 July 2010. These risks and uncertainties have not materially changed during the six months ended 31 January 2011. Since the end of the period, the outlook for Japanese equities has become less certain due to the earthquake and tsunami in Northern Japan and their after-effects.

Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio and expenditure projections; that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Related Party Transactions

Details of related party transactions can be found on page 33 of the Company's published Annual Report and Accounts for the year ended 31 July 2010. There has been no material transactions with the Company's related parties during the six months ended 31 January 2011.

Directors' Responsibility Statement

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

Jonathan Taylor
Chairman
31 March 2011

Income Statement

		(Unaudited) For the six months ended 31 January 2011			(Unaudited) For the six months ended 31 January 2010			(Audited) For the year ended 31 July 2010		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value		–	16,908	16,908	–	6,745	6,745	–	9,257	9,257
Other currency losses		–	(473)	(473)	–	(1,021)	(1,021)	–	(1,864)	(1,864)
Income	2	1,422	–	1,422	1,035	–	1,035	2,633	–	2,633
Investment management fee		(697)	–	(697)	(614)	–	(614)	(1,287)	–	(1,287)
Administrative expenses		(229)	–	(229)	(226)	–	(226)	(471)	–	(471)
Net return before finance costs and taxation		496	16,435	16,931	195	5,724	5,919	875	7,393	8,268
Interest payable and similar charges		(183)	–	(183)	(231)	–	(231)	(437)	–	(437)
Net return/(loss) on ordinary activities before taxation		313	16,435	16,748	(36)	5,724	5,688	438	7,393	7,831
Taxation on ordinary activities		(99)	–	(99)	(72)	–	(72)	(184)	–	(184)
Net return/(loss) attributable to equity shareholders		214	16,435	16,649	(108)	5,724	5,616	254	7,393	7,647
Net return/(loss) per ordinary share	4	0.17p	13.15p	13.32p	(0.09)p	4.58p	4.49p	0.20p	5.91p	6.11p

The Total column of this statement is the Income Statement of the Company. The Revenue and Capital columns are both provided in accordance with guidance issued by The Association of Investment Companies. The Company has no recognised gains or losses other than those disclosed in the Income Statement and the Reconciliation of Movements in Shareholders' Funds. Accordingly no Statement of Total Recognised Gains and Losses is presented.

All Revenue and Capital items in the above statement derive from continuing operations.

The notes on page 11 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

For the six months ended 31 January 2011 (Unaudited)

	Called-up Share capital £'000	Share premium account £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 July 2010	12,501	7	97,205	3	11,840	(6,585)	114,971
Net return from ordinary activities	–	–	–	–	16,435	214	16,649
At 31 January 2011	**12,501**	**7**	**97,205**	**3**	**28,275**	**(6,371)**	**131,620**

For the six months ended 31 January 2010 (Unaudited)

	Called-up Share capital £'000	Share premium account £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 July 2009	12,501	7	97,205	3	4,447	(6,839)	107,324
Net return/(loss) from ordinary activities	–	–	–	–	5,724	(108)	5,616
At 31 January 2010	12,501	7	97,205	3	10,171	(6,947)	112,940

For the year ended 31 July 2010 (Audited)

	Called-up Share capital £'000	Share premium account £'000	Share purchase reserve £'000	Warrant exercise reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 July 2009	12,501	7	97,205	3	4,447	(6,839)	107,324
Net return from ordinary activities	–	–	–	–	7,393	254	7,647
At 31 July 2010	12,501	7	97,205	3	11,840	(6,585)	114,971

The notes on page 11 form an integral part of these accounts.

Balance Sheet

	Note	(Unaudited) At 31 January 2011 £'000	(Unaudited) At 31 January 2010 £'000	(Audited) At 31 July 2010 £'000
Fixed assets				
Investments held at fair value through profit or loss		**148,506**	125,147	130,031
		148,506	125,147	130,031
Current assets				
Debtors		**473**	530	339
Cash at bank and short-term deposits		**6,459**	8,900	8,042
		6,932	9,430	8,381
Current liabilities				
Creditors – amounts falling due within one year	5	**(23,818)**	(21,637)	(23,441)
Net current liabilities		**(16,886)**	(12,207)	(15,060)
Net assets		**131,620**	112,940	114,971
Capital and reserves				
Called-up share capital		**12,501**	12,501	12,501
Share premium account		**7**	7	7
Share purchase reserve		**97,205**	97,205	97,205
Warrant exercise reserve		**3**	3	3
Capital reserve		**28,275**	10,171	11,840
Revenue reserve		**(6,371)**	(6,947)	(6,585)
Equity shareholders' funds		**131,620**	112,940	114,971
Net asset value per ordinary share	6	**105.29p**	90.35p	91.97p

The notes on page 11 form an integral part of these accounts.

Cash Flow Statement

	(Unaudited) For the six months ended 31 January 2011 £'000	(Unaudited) For the six months ended 31 January 2010 £'000	(Audited) For the year ended 31 July 2010 £'000
Net cash inflow from operating activities	**481**	239	949
Net cash outflow from servicing of finance	**(184)**	(197)	(385)
Total tax paid	**(97)**	(72)	(185)
Net cash outflow from investment activities	**(2,065)**	(199)	(2,076)
Net cash outflow before financing	**(1,865)**	(229)	(1,697)
Net cash outflow from financing	**–**	–	–
Net cash outflow	**(1,865)**	(229)	(1,697)
Reconciliation of net cash flow to movement in net debt			
Net cash outflow	**(1,865)**	(229)	(1,697)
Movement in borrowings	**–**	–	–
Movement in net debt resulting from cash flows	**(1,865)**	(229)	(1,697)
Net debt at 1 August	**(14,063)**	(10,502)	(10,502)
Exchange losses on currency, loans and cash balances	**(473)**	(1,021)	(1,864)
Net debt carried forward	**(16,401)**	(11,752)	(14,063)

The notes on page 11 form an integral part of these accounts.

Notes to the Accounts

1. Accounting policies

The financial information for each of the six month periods ended 31 January 2011 and 31 January 2010 comprises non-statutory accounts within the meaning of sections 434 – 436 of the Companies Act 2006. The financial information for the year ended 31 July 2010 has been extracted from published accounts that have been delivered to the Registrar of Companies and on which the report of the auditors was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Company's accounting policies have not varied from those described in the Report and Accounts for the year ended 31 July 2010.

2. Income

	(Unaudited) For the six months ended 31 January 2011	(Unaudited) For the six months ended 31 January 2010	(Audited) For the year ended 31 July 2010
	£'000	£'000	£'000
Overseas dividends	**1,421**	1,034	2,632
Stock lending fee income	**–**	1	1
Interest on deposits	**1**	–	–
	1,422	1,035	2,633

3. Management fees and interest payable

The investment management fee and finance costs on borrowings for investment purposes are apportioned 100% to revenue.

4. Return/(loss) per ordinary share

	(Unaudited) For the six months ended 31 January 2011	(Unaudited) For the six months ended 31 January 2010	(Audited) For the year ended 31 July 2010
Revenue (£'000)	**214**	(108)	254
Capital (£'000)	**16,435**	5,724	7,393
Total (£'000)	**16,649**	5,616	7,647
Weighted average number of ordinary shares in issue	**125,008,200**	125,008,200	125,008,200
Revenue	**0.17p**	(0.09)p	0.20p
Capital	**13.15p**	4.58p	5.91p
Total	**13.32p**	4.49p	6.11p

5. Creditors: Amounts falling due within one year

Included within creditors is the following loan:	**(Unaudited) At 31 January 2011**	(Unaudited) At 31 January 2010	(Audited) At 31 July 2010
Yen	**3,000,000,000**	3,000,000,000	3,000,000,000
Equivalent to	**£22,860,000**	£20,652,000	£22,105,000

The Company has a loan facility of Yen 3 billion with ING Bank N.V. This facility has a revolving 364 day term, is chargeable at a floating rate linked to the Yen LIBOR and a margin, and is secured on the assets of the Company.

6. Net asset value per ordinary share

	(Unaudited) At 31 January 2011	(Unaudited) At 31 January 2010	(Audited) At 31 July 2010
Net assets attributable to ordinary shareholders (£'000)	**131,620**	112,940	114,971
Ordinary shares in issue at end of period	**125,008,200**	125,008,200	125,008,200
Net asset value per ordinary share	**105.29p**	90.35p	91.97p

Company Summary

The Company

Schroder Japan Growth Fund plc is an independent investment trust, whose shares are listed on the London Stock Exchange. The Company is administered by Schroders, which also manages its assets. The Company has, since its launch in 1994, measured its performance against the TSE First Section Index in sterling terms. The Company measures its performance on a total return basis.

It is not intended that the Company should have a limited life, but the Directors consider it desirable that the Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association of the Company contain provisions requiring the Directors to put a proposal for the continuation of the Company to Shareholders at the Company's Annual General Meeting in 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 Report and Accounts and other documents published by the Company as well as information on the Directors, Terms of Reference of the Board's Committees and other governance arrangements. In addition, the site contains links to announcements made by the Company to the market, Equiniti's shareview service and Schroders' website. There is also a section entitled "How to Invest" which provides details of the Schroder ISA.

The Company releases its Net Asset Value 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 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. 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