Schroder Japan Trust plc

Annual Report and Financial Statements
For the year ended 31 July 2024

Schroders

Performance Summary

NAV per share total return*	Share price total return*	Benchmark†
21.0%	**16.1%**	**16.4%**
Year ended 31 July 2023: 11.7%	Year ended 31 July 2023: 18.7%	Year ended 31 July 2023: 9.4%

Some of the financial measures are classified as Alternative Performance Measures ("APMs"), as defined by the European Securities and Markets Authority and are indicated with an asterisk (*). Definitions of these performance measures, and other terms used in this report, are given on pages 70 and 71 together with supporting calculations where appropriate.

† Now named Tokyo Stock Price Index Total Return, previously known as TSE First Section Total Return Index (the "Benchmark")

Investment objective

The principal investment objective of Schroder Japan Trust plc (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 returns in excess of the Tokyo Stock Price Index Total Return in sterling over the longer term.

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.

The Company may use gearing (including the use of CFDs) to enhance performance but investment exposure will not exceed 125% of net asset value.

Scan this QR code on your smartphone camera to sign-up to receive regular updates on Schroder Japan Trust plc

Ongoing charges*
0.95%
Year ended 31 July 2023: 0.94%

Share price discount to NAV per share*
11.0%
Year ended 31 July 2023: 7.2%

Net revenue return after taxation
£6.56m
Year ended 31 July 2023: £6.56m

Share price
266.00p
Year ended 31 July 2023: 234.00p

Revenue return per share
5.53p
Year ended 31 July 2023: 5.41p

Net gearing[1]*
1.0%
Year ended 31 July 2023: 9.5%

Gross gearing[2]*
14.8%
Year ended 31 July 2023: n/a

[1]Net gearing represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets.
[2]Gross gearing represents the percentage by which a portfolio's market exposure exceeds its net assets, expressed as a percentage of net assets.

This is not a sustainable product for the purposes of the Financial Conduct Authority ("FCA") rules. References to the consideration of sustainability factors and ESG integration should not be construed as a representation that the Company seeks to achieve any particular sustainability outcome.

Strategic Report

Strategic Report

10-Year Financial Record

Definitions of terms and performance measures are given on pages 70 and 71.

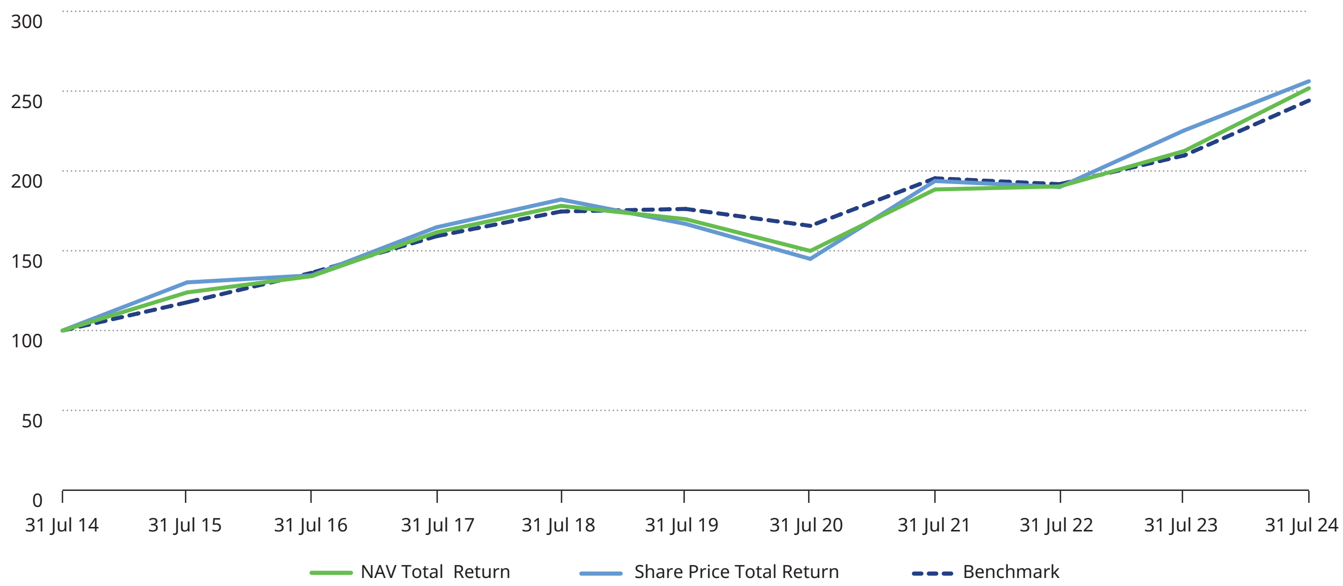
At 31 July	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total assets (£'000)[1]	243,135	270,783	310,493	333,130	318,944	279,365	323,180	318,321	336,950	365,019
Shareholders' funds (£'000)	212,101	226,688	269,304	292,268	273,812	236,128	283,859	281,429	302,460	350,888
NAV per share (pence)	169.67	181.34	215.43	233.80	219.04	189.24	232.40	230.68	252.25	298.88
Share price (pence)	158.75	162.00	195.00	212.00	190.50	161.50	210.00	202.00	234.00	266.00
Share price discount to NAV per share* (%)	6.4	10.7	9.5	9.3	13.0	14.7	9.6	12.4	7.2	11.0
Net gearing* (%)[2]	12.5	12.1	11.2	11.7	12.3	13.3	10.4	11.1	9.5	1.0
Gross gearing* (%)[3]	–	–	–	–	–	–	–	–	–	14.8

For the year ended 31 July	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Net revenue after taxation (£'000)	2,693	3,898	4,522	5,106	5,994	6,252	5,401	6,073	6,563	6,565
Net return per share (pence)	2.15	3.12	3.62	4.08	4.79	5.00	4.38	4.97	5.41	5.53
Dividend per share (pence)	2.00	2.80	3.50	4.00	4.70	4.90	4.30	4.90	5.40	10.81
Ongoing charges* (%)[4]	1.09	1.11	1.00	1.00	1.03	0.92	0.89	0.92	0.94	0.95

Performance[5]	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
NAV total return*	100.0	123.9	134.1	161.5	178.1	169.8	149.9	188.4	190.3	212.5	251.8
Share price total return*	100.0	130.2	134.6	164.7	182.1	166.8	144.9	193.7	189.9	225.4	256.2
Benchmark[6]	100.0	117.7	136.2	159.1	174.6	176.2	165.6	195.4	191.7	209.7	244.1

[1]Net assets plus borrowings used for investment purposes.
[2]Net gearing represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets.
[3]Gross gearing represents portfolio exposure to the market, expressed as a percentage of net assets.
[4]Ongoing charges represents the management fee and all other operating expenses excluding finance costs and transaction costs, expressed as a percentage of the average daily net asset values during the year.
[5]Source: Morningstar/Thomson Reuters. Cumulative performance rebased to 100 at 31 July 2014.
[6]The Company's Benchmark is the Tokyo Stock Price Index Total Return Index in sterling terms.
*Alternative performance measures.

10 year NAV, share price and benchmark total returns to 31 July 2024



Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 July 2014.

"Over the first five years of his tenure as the Company's Investment Manager, Masaki Taketsume has added considerable value through his distinctive, disciplined, high conviction investment approach"

Performance

I am pleased to report that for the year under review our Investment Manager's strategy has again outperformed the Japanese stock market. During the year ended 31 July 2024, the Company's net asset value ("NAV") produced a total return of 21.0%, outperforming its Benchmark which ended the year with a total return of 16.4%. Meanwhile, the Company's share price produced a total return of 16.1%, the discount to NAV averaged 10.1% over the year, compared to 11.5% in the year ended 31 July 2023. Our Investment Manager, Masaki Taketsume, has remained disciplined within a rising market and has positioned the portfolio to exploit opportunities in under-valued companies. This has resulted in four years of outperformance against the Company's Benchmark. Further details about the Company's investment strategy and portfolio activity during the year can be found in the Investment Manager's Review.

The Investment Manager has produced excellent relative performance over each of the last four financial years when market conditions have remained challenging. He has achieved this by adopting a clear, well defined investment strategy centred on his disciplined bottom-up stock picking approach which utilises Schroders' resources on the ground in Japan. At the same time, Schroders has concentrated its promotional efforts on increasing the Investment Manager's profile and in helping to raise awareness of his investment strategy and approach to a wider audience.

The Board has further supported the Company by announcing a package of dividend and discount management measures.

Enhanced dividend policy

The Board believes that when investing in Japan, dividends will continue to play an increasingly important part of shareholder returns. Several years ago, the Board highlighted the growing contribution from the dividends paid, given the focus of Japanese corporates on improving shareholder value and good corporate governance practice.

Whilst the Company has been able to grow dividends by 12.7% on an average yearly basis over the past 10 years, the Board is now adopting an enhanced dividend policy to pay out 4% of the average NAV in each financial year. The Board intends to declare dividends on a quarterly basis and, in calculating the NAV in relation to quarterly dividends, the average NAV of the 12 months trailing the quarter will be used. It is important to note that the enhanced dividend policy will not result in a change to the Company's investment approach and strategy. The Company's focus will continue to be on well-managed, high-quality companies where the current share price does not yet fully reflect their potential, across the complete spectrum of Japanese companies.

Discount management policy

In June 2024, the Board announced its proposal for a new conditional tender offer mechanism. In the event that the Investment Manager does not deliver performance at least in line with the Benchmark over a five-year period starting from 31 July 2024, then the Board will put to shareholders a proposal for a tender offer of 25% of the issued share capital at a price equal to the prevailing NAV less costs.

This mechanism aligns the interests of the Investment Manager with those of our shareholders, ensuring a focus on sustained outperformance, and it follows the previous conditional tender offer mechanism that was introduced in August 2020. Over the four-year period to 31 July 2024, the Investment Manager has delivered sustained outperformance of the Benchmark averaging 4.5% per annum, with the result that the tender offer was not triggered on 31 July 2024.

In addition, the Board monitors the discount of the share price to NAV and, when necessary, implements a buy-back programme. During the year, the Company repurchased a total of 2,503,437 shares in line with this policy. The Board will continue to monitor the discount and intends to buy back shares when appropriate. It is therefore seeking to renew the share buy-back authority granted at the Company's Annual General Meeting ("AGM") in December 2023 to purchase up to 14.99% of the Company's issued share capital to be held in treasury.

The Board believes that the measures outlined above should improve the Company's appeal, support share price performance, and ultimately deliver greater value to shareholders.

Gearing and contracts for difference

The Investment Manager actively used gearing throughout the period. The net gearing level was 9.5% at the start of the period and ended at 1.0%, with an average net gearing level of 10.45%. Gearing had a positive effect on performance during the year. The Company's gearing continues to operate within its pre-agreed limit of 25% of NAV.

At the 2023 AGM, shareholders approved a change of the Investment Policy to allow the Company to use Contracts for Difference ("CFDs") to provide exposure to Japanese equities on a geared basis as an alternative to utilising bank borrowings. I am pleased to report that we are now actively using CFDs with the gross gearing level (including CFDs) at the year end being 14.8%, and we have been able to fully repay our term-loan facility early.

Revenue and dividend

Revenue during the year increased from 5.41p to 5.53p per share. The Board has decided to declare an enhanced final dividend for the year ended 31 July 2024 of 10.81p per share, representing an increase of 100.19% over the final dividend paid in 2023. This dividend will be paid on 13 December 2024 to shareholders on the register on 8 November 2024 subject to approval by shareholders at the AGM on 10 December 2024.

Going forward, as stated above, the Board will declare dividends on a quarterly basis based upon the average NAV of the 12 months trailing the quarter.

Board changes and proposal to amend Directors' fee cap

I am pleased to welcome Samantha Wren and Merryn Somerset Webb as independent non-executive Directors of the Company, effective from 4 July 2024. Belinda Richards resigned from her position as a non-executive Director and Alan Gibbs will not be standing for re-election at the AGM in December 2024 having served nine years as Director. The Board and I would like to thank Belinda and Alan for their significant contribution and wise counsel to the Board during their time spent as Directors. Samantha has taken over the role of Audit and Risk Committee Chair following a handover period with Belinda and Angus Macpherson will take over as Senior Independent Director following the upcoming AGM.

Full biographical details of Board members can be found on pages 26 and 27.

A resolution to amend the Company's Articles of Association to increase the cap on the aggregate Directors' fees from £200,000 to £250,000 will be included in the Notice of AGM. This is to ensure that any inflationary fee increases given to Directors in the coming years will not breach the aggregate fee cap and, whilst it is not the Board's current intention, it will also allow for the appointment of an additional Director should it be considered necessary in the future.

Full details of Director remuneration can be found on pages 37 to 40.

Outlook

Despite the Japanese stock market having finally exceeded the bubble-era high seen in December 1989, your Board believes that Japanese equities remain a compelling investment opportunity, underpinned by a confluence of favourable macroeconomic conditions. As well as attractive valuations, there has been growing momentum in Japan's corporate governance revolution, there has also been a change in the guidelines for M&A activity which make it more difficult for Japanese managements to ignore unsolicited bids. All this suggests that returns will continue to improve in the years ahead.

Inevitably there will be bumps in the road and recent market volatility has highlighted why a long-term view is of paramount importance when investing in any regional equity market. Nevertheless, in our opinion there are many reasons to believe that investors in Japan will be appropriately rewarded when taking a multi-year view.

While we believe the outlook for the broad Japanese market is positive, this also represents a very attractive environment for active stock pickers. Over the first five years of his tenure as the Company's Investment Manager, Masaki Taketsume has added considerable value through his distinctive, disciplined, high conviction investment approach, and we have every confidence that he will continue to deliver superior performance in the years ahead, to the benefit of our shareholders.

Recent company awards

AJ Bell Investment Awards winner

I am very pleased to announce that the Company has recently been notified that it has won the AJ Bell Investment Awards in the Japan Equity – Active category for the second year in a row. Recognition of the Company by a major provider of platform services to retail clients should help to further increase our profile within the retail investor community. AJ Bell's platform audience chose the winner within each category.

Citywire AA Rating

The Company's Investment Manager, Masaki Taketsume, has also recently been awarded an AA rating from Citywire. This is recognition of Masaki's strong three-year risk-adjusted performance track record, by a leading financial publication. The ratings are designed to help investors in their research and identify good investment company fund managers.

For further information please visit:
https://investmentawards.ajbell.co.uk/
https://citywire.com/investment-trust-insider/news/citywire-launches-investment-trust-fund-manager-ratings/a2442748
https://www.theaic.co.uk/aic/news/industry-news/citywire-launches-investment-trust-fund-manager-ratings

AGM and shareholder engagement

The AGM will be held at 1.00pm on Tuesday, 10 December 2024. We are delighted that this year we will once again be able to invite shareholders to join us to hear from the Investment Manager. The presentation will be followed by a question-and-answer session and mince pies. Shareholders are asked to cast their votes by proxy. The Manager will also be presenting at a webinar separate from the AGM on Thursday, 3 October 2024 at 9.00am and all shareholders are encouraged to sign up on the Company's website so that they can hear the Investment Manager's view and ask questions. Shareholders can also sign up using this link: https://www.schroders.events/event/SJG24/regProcessStep1. The Board would like shareholders to get in touch via the Company Secretary with any questions or comments, so that the Board can address them in advance of the AGM. To email, please use: amcompanysecretary@schroders.com or write to us at the Company's registered office address (Company Secretary, Schroder Japan Trust plc, 1 London Wall Place, London EC2Y 5AU).

For regular news about the Company, shareholders are encouraged to sign up to the Manager's investment trusts update by visiting the Company's website.

Philip Kay
Chairman

25 September 2024

Masaki Taketsume

The Japanese equity market continues to provide one of the most attractive opportunities to be found anywhere in the world, particularly for long-term investors

Our investment approach

We believe the Japanese equity market ultimately acts efficiently in reflecting the intrinsic value of companies. In the short to medium-term, however, considerable inefficiencies are frequently evident in individual stocks. These inefficiencies provide repeatable opportunities to identify and invest in undervalued stocks, with the aim of delivering a better return than the market as a whole on a rolling three-to-five year view.

Our investment resource is entirely devoted to this aim, focusing on individual company fundamentals to understand the true worth of a stock and investing in a portfolio of 60-70 of the highest conviction ideas. These then tend to be held for the long-term, with value being realised as the market gradually reflects their true value more efficiently.

Portfolio holdings tend to fall into three categories of inefficiency:

1. **Market misperception** – companies with self-improving credentials, with management initiatives to sustainably enhance operational performance, being under-appreciated by other investors.
2. **Market oversight** – undervalued companies, especially among small and mid-caps where research coverage is less widespread, with strong and defendable business franchises in niche product areas.
3. **Short-term overreaction** – ideas arising from abrupt but transitory events which push valuations of quality companies temporarily to unsustainably low levels.

Outside these three categories, the balance of the portfolio represents **best in class** stocks with reasonable valuations. The weighting given to each of these segments evolves over time, but a reasonable exposure to each category ensures a good level of diversification for the portfolio as a whole. Meanwhile, the approach tends to result in a bias towards value stocks[1] and smaller companies, as well as an overall focus on quality.

The portfolio tends to exhibit a high "active share", which means that its constituents deviate significantly from the Benchmark index. Gearing (financial leverage) typically ranges between 10% and 17.5%, allowing shareholders to potentially benefit even more as the inefficiencies we have identified become more appropriately priced by the market.

Manager's review

The Japanese stock market performed strongly during the period under review, moving to new all-time highs as the year progressed. Returns for UK investors were somewhat undermined by persistent yen weakness, but performance in sterling terms was still strongly positive.

For the financial year to 31 July 2024, the Company's NAV increased by 21.0%, while its Benchmark rose by 16.4%[2]. Over three years and in sterling terms, the Company has now returned 10.9% on an annualised basis, which compares favourably to the 7.7% annualised return from the Tokyo Stock Price Index Total Return.

Recent performance drivers

After several decades of disappointing domestic stock market performance, the renaissance of the Japanese equity market continued in the period under review. Ongoing efforts by regulators and investors to change the culture of corporate Japan and improve governance, shareholder returns and company profitability, have continued to gather momentum. This has attracted increasing interest from the global investment community, driving a positive cycle of upward share price movements and encouraging even more businesses to join the corporate governance revolution.

Meanwhile, Japan's domestic economic performance has been improving, helped by positive inflation, rising wages, increased business investment and export growth. This has helped Japanese businesses, in general, deliver solid earnings growth.

Value stocks continued to outperform growth stocks, which assisted performance given our approach's bias towards value. Smaller companies, however, generally lagged their larger counterparts, which represented a modest headwind for the Company. There was a beneficial impact from gearing and helpful contributions from a range of individual stocks as explained below.

[1]The term "value stocks" refers to shares that appear to trade at a lower price than justified by company fundamentals, such as dividends, earnings, sales and book value.

[2]Source: Morningstar, cum-income NAV with dividends reinvested, 31 July 2024 data, net of fees. Past performance is not a guide to future performance and may not be repeated.

Two key developments contributed positively to performance during the year. Firstly, in response to the improving macroeconomic backdrop, the Bank of Japan (BOJ) has taken further significant steps to normalise its extraordinary monetary policy. Following the first interest rate increase in 17 years and the abandonment of yield curve control last year, the BOJ raised its policy rate to 0.25% towards the end of the year. Monetary policy remains accommodative, but this normalisation process has had a positive impact on financial sectors, driving a gradual revaluation of some the bank and insurance companies to which the portfolio is exposed. In particular, the portfolio's holdings in "mega bank" Sumitomo Mitsui Financial Group and insurance company Tokio Marine Holdings contributed positively. We view both companies as **best in class** operators in their respective sectors.

Secondly, technology-related stocks also generally performed well, supported by investor enthusiasm for the boom in generative artificial intelligence (AI) technologies. A number of Japanese companies contribute to the AI value chain and the semiconductor industry and the portfolio's exposure to these types of business added value during the period. We tend to view these companies as **market misperception** stocks, as the market has not fully reflected their ability to participate in the AI growth opportunity. For example, Fujikura, a fibre cable maker, performed well as the market started to realise how important its advanced fibre optics and connectivity solutions could be for AI infrastructure. Meanwhile, Hitachi, a large cap industrial conglomerate, also performed strongly given better than expected results from its IT services and energy division.

By contrast, some of our technology holdings suffered short-term weakness as well as return reversal. For example, our **market misperception** holdings in electronic component makers Rohm and Ibiden, both underperformed after posting slower-than-expected growth. Our lack of exposure to large cap stocks such as Mitsubishi UFJ Financial Group, another large banking group, and Mitsubishi Heavy Industries, also detracted as their share prices performed well. We continue to see more compelling opportunities among small and mid-sized businesses.

Attribution – stock selection

12 Months to 31 July 2024

Top 5 contributors	Portfolio weight	Benchmark[1] weight	Portfolio return	Benchmark[1] return	Total effect
Fujikura	1.4	0.1	151.8	151.8	+1.58
Hitachi	4.3	1.7	69.8	69.8	+1.27
Sumitomo Mitsui Fg	4.5	1.6	59.4	59.5	+1.13
Tokio Marine Hldg	2.8	1.1	80.1	80.1	+0.88
Sony Group Corpora	0.0	2.6	0.0	–3.2	+0.58

Top 5 detractors	Portfolio weight	Benchmark[1] weight	Portfolio return	Benchmark[1] return	Total effect
Rohm Co Ltd	1.6	0.1	–40.6	–40.6	–1.20
Ibiden Co Ltd	1.6	0.1	–35.6	–35.6	–1.03
Mitsubishi Ufj Fin	0.0	2.4	0.0	48.7	–0.68
Mitsubishi Hvy Ind	0.0	0.5	0.0	162.0	–0.54
Asahi Group Hldgs	2.6	0.4	–3.8	–3.8	–0.52

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

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

Portfolio strategy

Currently, the biggest category within the portfolio is **market misperception** which accounts for almost 40% of assets. This includes companies such as Hitachi, Nippon Steel and Toyota Motors, where we see the prospect of sustainable improvements in returns from management efforts that are not yet reflected in valuations.

In the case of Nippon Steel, the world's leading steel maker, the starting valuation looks highly attractive, and we foresee the potential for a much higher multiple in the future, supported by management efforts to improve the stability and growth profile of its earnings. We believe this to be a classic **market misperception** opportunity, as these improving fundamentals have not yet been fully reflected in the share price. The business has become increasingly focused on profitability through price discipline, and the strategy of expanding the business into new territories, such as India, holds significant future potential. Ultimately, the strategy being pursued by Nippon Steel's management team should allow the business to become much more resilient, even in the event of a cyclical downturn in its core markets. These developments are under-appreciated by investors and comes at a time when the Asian steel market appears poised for a cyclical upswing.

Almost 30% of the portfolio is in **market oversights**, such as Fukushima Galilei and Hosokawa Micron, where we find highly competitive smaller businesses trading at a significant discount to their large cap and global peers. As the leading global provider of high-quality powder manufacturing machines, Hosokawa Micron dominates its niche and is also benefiting from growing demand for its high-quality powders, which are used in fast growing product areas such as lithium-ion batteries. Nevertheless, its shares trade at an unwarranted discount to the shares of similar businesses elsewhere in the world.

Around 10% of the portfolio is invested in **short-term overreactions**, including out-of-favour technology opportunities such as Nomura Research Institute (NRI) and the food packaging specialist FP Corporation. These businesses are beneficiaries of long-term structural tailwinds but their share price has been sold down over the last couple of years. NRI is one of the highest quality IT service companies in Japan. With its strong consulting capabilities, it is well positioned to capture rising demand from Japanese companies that are looking to digitally transform their business models. Its growth prospects therefore continue to remain positive, but its valuation contracted significantly during the widespread sell-off in "growth stocks".

The remaining portfolio is invested in what we consider to be **best-in-class** operators, such as Sumitomo Mitsui Financial Group, Asahi Group Holdings, Orix and NTT.

From a sector perspective, this results in a bias towards machinery, glass & ceramic products, construction and other financing business. As is typical, the portfolio is also overweight towards small and mid-cap stocks, where valuations look particularly attractive given the improving domestic economic backdrop.

Portfolio activity

We initiated a new **market misperception** position in Japan Post. We expect profitability to improve as price increases are pushed through in its postal services division, whilst a cyclical recovery should prove beneficial to its two financial subsidiaries, Yucho Bank and Kampo Life. We also expect management to pursue further improvements to shareholder returns, albeit regulatory constraints and complex stakeholder relationships may act as a hindrance. Nevertheless, the long-term upside potential looks significant given its attractive valuation.

We also initiated a position in the regional supermarket chain, Yaoko, as a new **market oversight** idea. Yaoko responds to consumer needs with a technology based product strategy – which balances store specific demands with centralised initiatives to improve logistics. We expect to see steady market share growth alongside increasing revenue and profits, supported by the favourable population dynamics present in its core region of Saitama.

Concordia, one of Japan's larger regional banking groups, was added to the portfolio as a **best in class** stock. We expect higher interest rates to improve the earnings environment for regional banks and favour Concordia's exposure to the higher growth Greater Tokyo area. Furthermore, its new management team has committed to improving returns in the year ahead as it focuses on growth initiatives via digital transformation and efficient capital management.

In terms of disposals, we sold out of several positions including Yokowo, Astellas Pharma, Aeon Financial Services (mainly due to weaker-than-expected earnings progress) and Toho where we took profits as the thesis played out as expected. We used the proceeds to build positions in opportunities in which we have increasing confidence, such as those outlined above.

Outlook

We believe that the Japanese equity market continues to provide one of the most attractive opportunities globally, particularly for long-term investors. Several developments that are unique to Japan should combine to support corporate earnings growth and increasing valuation multiples in the years ahead.

At the heart of this positive investment thesis are the increasingly widespread corporate governance reforms that are driving improved profitability and returns across large swathes of the Japanese stock market. After a long period of apathy towards Japanese equities, these reforms are resulting in renewed interest from the global investment community. Meanwhile, rising wages, increased business investment and export growth are combining to offset some recent weakness in consumer sentiment, in what continues to resemble a more supportive domestic economic environment than we have seen in several decades.

In the near term, there are reasons for caution, as reflected in the significant stock market volatility we have witnessed since period end. The Japanese stock market saw its second largest one-day decline on record on 5 August 2024, amid growing concern about the US economy and the risk of further interest rate hikes from the BOJ. Markets have quickly regained their poise, but this represents a timely reminder of what can happen when short-term, speculative money reverses.

In some respects, such a setback should be seen as healthy in the long run. From a valuation perspective, the recent volatility has taken the market back to a reasonably undervalued level. Meanwhile, the sudden strengthening of the yen which accompanied the sell-off highlights the attractiveness of investing in domestic demand-oriented companies and the opportunities in small and mid-cap stocks that have lagged behind the overall market.

Furthermore, with corporate governance reforms already driving a record amount of share buy-backs, Japanese companies can take advantage of the recent weakness in their share prices to actively buy back even more shares. This should ultimately support the market as well as contribute to a better capital structure for individual companies.

Nevertheless, concerns about the outlook for the US economy are likely to remain in the months ahead, as are worries about a significant "hawkish" shift from the BOJ. On both of these fronts, we believe the market has become overly concerned about the risk of an earnings downturn. The Federal Reserve has significant scope for interest rate cuts in the US and looks focused on achieving a soft economic landing. Meanwhile, although the BOJ's interest rate hike in July was a surprise to many, we do not believe it signals a move away from a sensible, flexible and well-balanced monetary policy stance. Based on the soft-landing scenario for the US economy and the solid fundamentals of the Japanese economy, we expect the robust pace of earnings growth for Japanese companies to continue this fiscal year and next.

To conclude, there are many reasons to believe that we may be entering a period of sustained outperformance from the Japanese stock market. We have seen renewed appetite for Japanese equity from global investors and this demand should continue to grow as the positive domestic story becomes better understood.

Furthermore, local investors have also started to invest more in Japan, supported by the new NISA, a tax-exempt investment scheme that was revamped earlier this year. With growing interest from a wide range of long-term investors, this continues to represent a fertile environment for active, high conviction stock pickers, and we are excited at the opportunity that lies ahead for investors in the Company.

Schroder Investment Management Limited

25 September 2024

Investment

Investment process – an overview

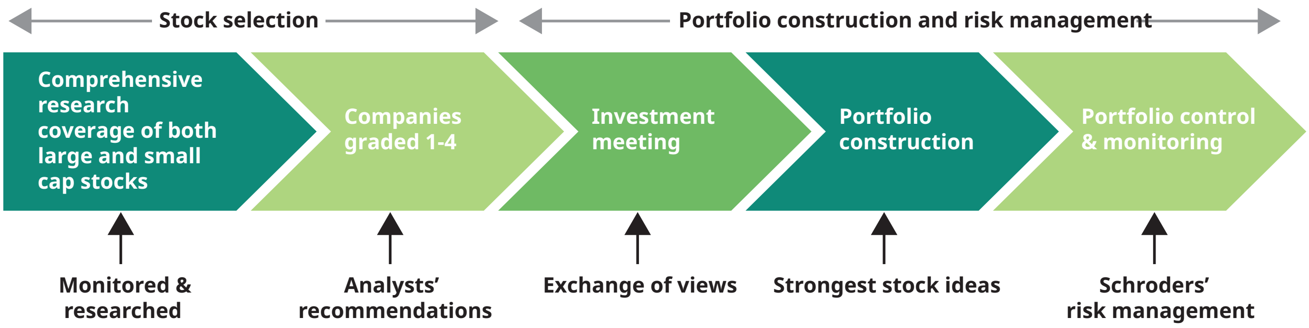
The Manager's Japanese equity investment philosophy is based on the belief that a competitive advantage can be gained from in-house research which should translate into superior investment performance through disciplined portfolio construction.

The research focuses on long-term value creation and strength of franchise, targeting undervalued companies where the long-term growth prospects are not fully priced in. The Manager prefers companies that can generate and sustain above average returns on their capital, and also looks for opportunities in turnaround situations where companies can improve returns from depressed levels.

The Manager uses a disciplined approach to managing the portfolio. It has a repeatable process that starts with research and portfolio construction and is supported by ongoing monitoring and portfolio control. The research is based on an extensive programme of company meetings, over 2,400 each year.

The portfolio manager is Masaki Taketsume. Mr Taketsume has been part of Schroders since 2007.

Disciplined and repeatable approach



Management of the portfolio is "bottom up" and long-term: the screening process begins with fundamental company analysis rather than shorter term macroeconomic impacts like changes in exchange rates. Given the long-term approach, portfolio turnover tends to be low. A stock will not be bought unless the Manager has met the management of the company concerned. Risk monitoring tools check that the bottom-up approach is on track.

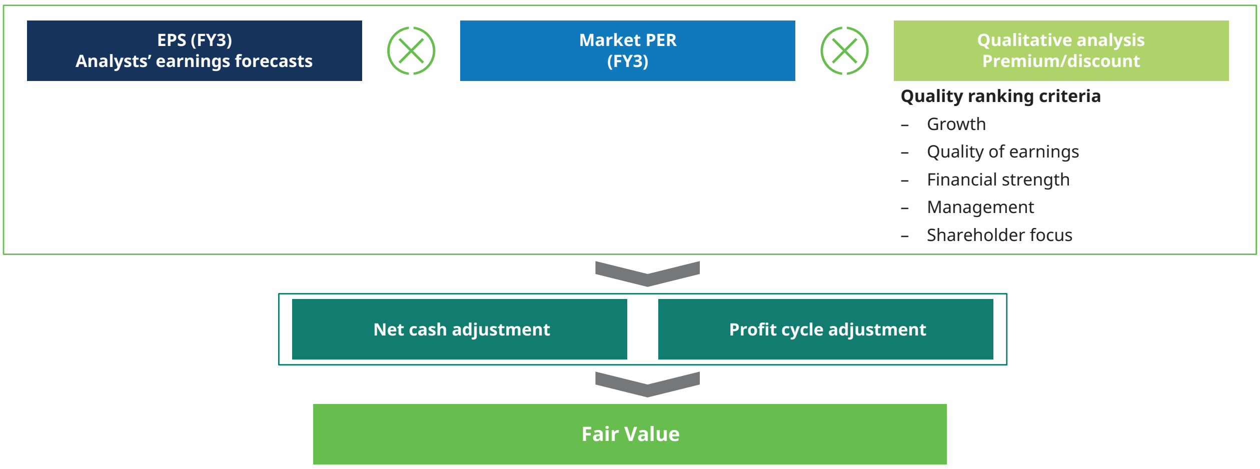
Fundamental research

Comprehensive and detailed research is the key driver of our process and we have Tokyo-based analysts who are dedicated to researching Japanese companies. As a result of their experience, our analysts have an exceptional knowledge of the Japanese market and the companies within it. It is this knowledge base, paired with the dedication of our analysts, which truly adds value to our bottom-up approach to stock selection. Company meetings are integral to our research process and we will not purchase a stock unless we have met the management of the company concerned.

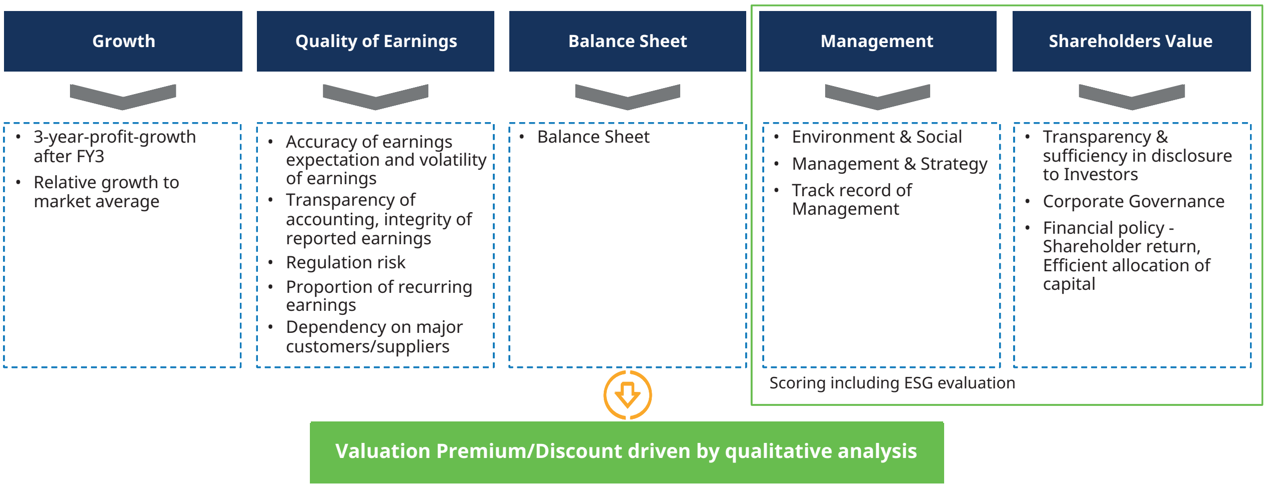
Our analysts use Schroders' proprietary company valuation model (CVM) to generate three-year earnings and cashflow forecasts, and a range of valuation measures. The analysts are also required to score each company on five qualitative criteria illustrated below. The total of this score determines the premium or discount we give the stock relative to the market, and is used to determine a fair value.

We take account of non-financial factors as part of stock evaluation and valuation process. Environmental, social and governance (ESG) issues are integrated into our qualitative assessment on the companies, which determines valuation discounts and premium levels. These 'risks' are addressed with company management and management's failure to improve will be treated as a significant discount factor in our fair value analysis.

The process for establishing our Fair Value for each stock focuses on the broad factors circled below:



Behind those broad factors are a range of specific criteria which analysts explicitly score within the Fair Value model. Specific sustainability factors and ESG criteria are included within the broader categories of "Management" and "Shareholders Value", detailed below:



Analysts are responsible for assigning the scores to each component within the Fair Value model, reflecting their understanding of best practice within particular industries. To do this, analysts will draw on internal and external ESG information so they can form an opinion and assign an overall score to the stock which will be discussed and challenged during subsequent discussion within the broader team, including investment managers. This approach ensures our process is robust and consistent across sectors.

Portfolio construction

Portfolio construction for the Company is then the responsibility of the investment manager. His focus is on the highest conviction stock ideas within the context of an appropriate risk management framework, while also setting, in conjunction with the Board, the gearing of the portfolio.

The portfolio focuses on stocks in which the investment manager has a high conviction. These then tend to be held for the long term, with value being realised as the market gradually reflects their true value more efficiently.

An important part of the portfolio construction process is regular meetings to debate and receive peer group challenge. These meetings provide a forum to discuss and debate investment views and strategy, together with stock positions and stock ideas, and importantly, serve to ensure vigorous debate.

Responsible investment and the Company's approach to ESG factors

The Company delegates responsibility for considering ESG factors in investment decisions to its Manager. The Company's ESG approach also relies on a bottom-up approach, relying on internal research and company meetings conducted by Schroders' analysts in Tokyo. The investment views are based on a long-term assessment of quality, with a focus on the sustainability of a company's business model. In the evolving Japanese equity market, identifying early signs of positive change and understanding strengths, weaknesses, and changes in ESG areas, particularly governance, strengthens the investment team's understanding of companies and informs investment decisions.

ESG analysis is enhanced through the use of Schroders' proprietary models - SustainEx and Context. SustainEx calculates a monetary value of the environmental and social externalities that companies create, which is important to understand because of the risk that these externalities may become internalised over time due to factors like regulation and changes in consumer behaviour. Context provides a systematic framework for analysing the quality of a company's relationship with its most material stakeholders. Schroders believes that companies with strong ESG management are more likely to perform better. It complies with the UK Stewardship Code and provides regular reporting on its policy implementation to the Board.

The Board also expects the Manager to engage with investee companies, exercise voting rights, and promote responsible practices. Schroders has a long history of engagement and active ownership and it has engaged with companies on ESG related matters for over 15 years. As active investors, Schroders considers active ownership to be a key channel of influence on management teams so that more sustainable practices are properly considered in managing the companies.

Proxy votes are largely aligned with the Manager's corporate governance policy. The Manager's integration of ESG, policy, and engagement details can be found within Schroders' Group-wide Sustainable Investment Policy
https://mybrand.schroders.com/m/6197143c263420f5/original/Schroders-Group-Sustainable-Investment-Policy.pdf

The Company's stewardship

Schroders' Japanese equity team is committed to local stewardship activities in Japan and, in demonstration of this, we have been signatories to the Japanese Stewardship Code since 2014. In 2015 we established our Stewardship Committee, chaired by Kazuhiro Toyoda and includes four further members from our team in Tokyo. The purpose of the Committee is to engage with companies on their ESG activities with the aim of encouraging best practice and influencing change over time.

The Stewardship Committee maintains a Focus List of engagement stocks, in consultation with the broader investment team. There are currently 19 companies on the Focus List and a further 13 companies have been removed from the list during the lifetime of the Committee.

The prospects for improvement in these engagement stocks, within a stated timeframe, are judged against the ESG/Context analysis that is integrated into the research output for other positions. The process is designed to ensure that our resources are focussed on positions with the greatest potential for positive impact within our portfolios. The relevant analyst will attend the engagement meetings, ensuring that there is feedback within the process, which enables a robust debate on prioritisation, time horizon and themes for engagement.

In addition to the Focus List engagement, the team initiated the programme of Climate Engagement upon the group wide initiatives under the Engagement Blueprint published in February 2022. The team started with 33 Japanese companies in 2022 and have been discussing with company management on their climate policy and its disclosures. In 2024, we narrowed down the list to 15 companies and continue to engage with them periodically to advocate Schroders' approach and expectation and shared our view on their climate disclosure and we aim to identify areas for improvement for individual companies based on our research output.

The Stewardship Committee members are also responsible for all proxy voting and the Committee will discuss any contentious items. We are also in regular contact with the proxy voting team in London, which is responsible for voting for the Company, to ensure that our views are aligned and that we are sending consistent messages to companies. All records are disclosed in Japan locally and globally.

Engagement case studies

We share below two examples of engagements we have carried out with investee company management under our Stewardship responsibilities.

TOYOTA INDUSTRIES is a Toyota Motor affiliate auto parts maker and a leading manufacturer of forklifts and material handling systems.

We have been actively engaging with Toyota Industries on corporate governance and climate issues. In 2024, a significant step in our engagement was the formalisation of our concerns and expectations in an engagement letter to the company. The letter emphasised the importance of clear policies on the reduction of cross-shareholdings and the need for robust measures to ensure internal controls function effectively, particularly in light of recent regulatory issues with engine certifications. Our goal is to see these matters addressed promptly and efficiently. In our past engagement, we suggested that the company disclose its capital allocation policy promptly, as required by the Tokyo Stock Exchange (TSE) for all listed companies. However, compared to other entities in the group, such as Aisin, Toyota Industries' actions have been notably slower.

Following the letter, in May 2024, we had a productive meeting with the CEO and the Head of IR to discuss the issues raised. This direct engagement with top management was highly appreciated, reinforcing our commitment to constructive dialogue for long-term corporate value enhancement. As we look forward to additional actions from the company, our ongoing engagement continues to emphasise the importance of these critical improvements. We anticipate these measures will not only streamline corporate governance but also instil greater investor confidence.

NICHIAS CORPORATION manufactures a variety of building and insulating-related materials.

Since 2022, we have been engaging with Nichias on climate change, focusing on the adequacy of their target setting. In February 2024, we conducted a follow-up meeting with the IR team as well as a representative from the Environment department. Initially, the company committed to reducing emissions by 30% by 2030, based on 2019 levels. Nichias has indicated its intention to align with a Science-Based Targets initiative (SBTi) 1.5°C target, though this is still under consideration. Importantly, the company does not plan to use carbon credits to meet its targets.

During our discussions, Nichias highlighted that the majority of its emissions stem from the production of Rockwool, building materials, and gaskets. However, products like Rockwool also have the potential to contribute to avoided emissions. We appreciated the company's transparency regarding their target-setting status and recognise Nichias's significant role in achieving avoided emissions. We plan to continue our engagement to encourage more robust reporting and target setting on climate change.

Investment Portfolio
As at 31 July 2024

Stocks in bold are the 20 largest investments, which by portfolio exposure account for 52.5% (31 July 2023: 52.6%) of total investments.

The Portfolio Exposure indicate the impact on market price movements resulting from the ownership of shares and derivative instruments. The Fair Value represents the true value of the portfolio, which is reflected on the Balance Sheet. In the case of holding a Contract for Difference (CFD), the Fair Value reflects the profit or loss generated by the contract since its inception, based on the movement of the underlying share price. However, when the Company solely holds shares, both the Fair Value and the Portfolio Exposure align.

	Fair Value £'000	Portfolio Exposure £'000	%[1]
Electrical Appliances			
Hitachi (shares and long CFD)	**11,241**	**18,934**	**4.7**
Fujikura	**8,808**	**8,808**	**2.2**
TDK	**7,394**	**7,394**	**1.8**
Ricoh	**7,033**	**7,033**	**1.7**
Nihon Kohden	5,286	5,286	1.3
Ibiden	3,703	3,703	0.9
Total Electrical Appliances	**43,465**	**51,158**	**12.6**
Machinery			
Niterra	**7,704**	**7,704**	**1.9**
Disco	**7,447**	**7,447**	**1.8**
Nichias	6,722	6,722	1.7
Amada	6,241	6,241	1.6
Kohoku Kogyo	5,209	5,209	1.3
Teikoku Piston Rings	4,370	4,370	1.1
Tazmo	4,226	4,226	1.0
Rheon Automatic Machinery	3,744	3,744	0.9
Total Machinery	**45,663**	**45,663**	**11.3**
Transportation Equipment			
Toyota Motor (shares and long CFD)	**785**	**17,316**	**4.3**
Toyota Industries	5,044	5,044	1.3
Yamaha Motor	4,684	4,684	1.2
Suzuki Motor	4,135	4,135	1.0
Total Transportation Equipment	**14,648**	**31,179**	**7.8**
Insurance			
Tokio Marine (shares and long CFD)	**8,256**	**13,895**	**3.5**
T&D Holdings	**9,101**	**9,101**	**2.3**
Japan Post	**7,070**	**7,070**	**1.8**
Total Insurance	**24,427**	**30,066**	**7.6**
Banks			
Sumitomo Mitsui Financial (shares and long CFD)	**13,965**	**21,378**	**5.3**
Concordia Financial	5,863	5,863	1.5
Total Banks	**19,828**	**27,241**	**6.8**

	Fair Value £'000	Portfolio Exposure £'000	%[1]
Wholesale trade			
Mitsui & Co. (shares and long CFD)	**3,834**	**9,467**	**2.4**
Fukushima Galilei	5,238	5,238	1.3
Trusco Nakayama	4,307	4,307	1.1
FP Corporation	4,204	4,204	1.0
Yaoko	3,278	3,278	0.8
Total Wholesale Trade	**20,861**	**26,494**	**6.6**
Chemicals			
Mistui Chemicals	**7,325**	**7,325**	**1.8**
Aica Kogyo	5,442	5,442	1.4
Hosokawa Micron	5,221	5,221	1.3
Nippon Soda	5,213	5,213	1.3
Fujimori Kogyo	2,804	2,804	0.7
Total Chemicals	**26,005**	**26,005**	**6.5**
Securities and Commodity			
Orix	**13,018**	**13,018**	**3.2**
Nomura Research Institute	5,224	5,224	1.3
Integral	2,832	2,832	0.7
Total Securities and Commodity	**21,074**	**21,074**	**5.2**
Construction			
Infroneer	**7,484**	**7,484**	**1.9**
Sanki Engineering	6,014	6,014	1.5
Nippon Densetsu Kogyo	4,383	4,383	1.1
Total Construction	**17,881**	**17,881**	**4.5**
Technology			
NEC Systems	6,057	6,057	1.6
LY	5,657	5,657	1.4
WingArc1st	4,603	4,603	1.1
Megachips	1,321	1,321	0.3
Total Technology	**17,638**	**17,638**	**4.4**
Services			
Recruit Holdings	**9,019**	**9,019**	**2.2**
Daiei Kankyo	4,690	4,690	1.1
Doshisha	3,834	3,834	1.0
Total Services	**17,543**	**17,543**	**4.3**
Foods			
Asahi Breweries	**9,249**	**9,249**	**2.3**
Nichirei	5,778	5,778	1.4
Total Foods	**15,027**	**15,027**	**3.7**

	Fair Value £'000	Portfolio Exposure £'000	%[1]
Real Estate			
Mitsui Fudosan	**8,187**	**8,187**	**2.0**
Kyoritsu Maintenance	4,076	4,076	1.0
Park24	2,130	2,130	0.5
Total Real Estate	**14,393**	**14,393**	**3.5**
Information and Communication			
Nippon Telegraph and Telephone (shares and long CFD)	**4,060**	**8,916**	**2.2**
Otsuka	5,164	5,164	1.3
Total Information and Communication	**9,224**	**14,080**	**3.5**
Precision Instruments			
Rohm	5,595	5,595	1.4
Kokusai Electric	3,703	3,703	0.9
Mimasu Semiconductors	1,201	1,201	0.3
Total Precision Instruments	**10,499**	**10,499**	**2.6**
Pharmaceutical			
Takeda Pharmaceutical	**8,864**	**8,864**	**2.2**
Total Pharmaceutical	**8,864**	**8,864**	**2.2**
Other Products			
Miura	6,951	6,951	1.7
Total Other Products	**6,951**	**6,951**	**1.7**
Ferrous Metals			
Nippon Steel	6,595	6,595	1.6
Total Ferrous Metals	**6,595**	**6,595**	**1.6**
Glass and Ceramics			
Asahi Glass	6,104	6,104	1.5
Total Glass and Ceramics	**6,104**	**6,104**	**1.5**
Rubber Products			
Bridgestone	4,077	4,077	1.1
Total Rubber Products	**4,077**	**4,077**	**1.1**
Electric Power and Gas			
Nippon Gas	4,060	4,060	1.0
Total Electric Power and Gas	**4,060**	**4,060**	**1.0**
Total investments and financial derivative instruments – asset exposure		**402,592**	**100.00**
Total investments and financial derivative instruments – fair value	**354,827**		

[1]Portfolio exposure is expressed as a percentage of total investments and financial derivative instruments.

Purpose, values and culture

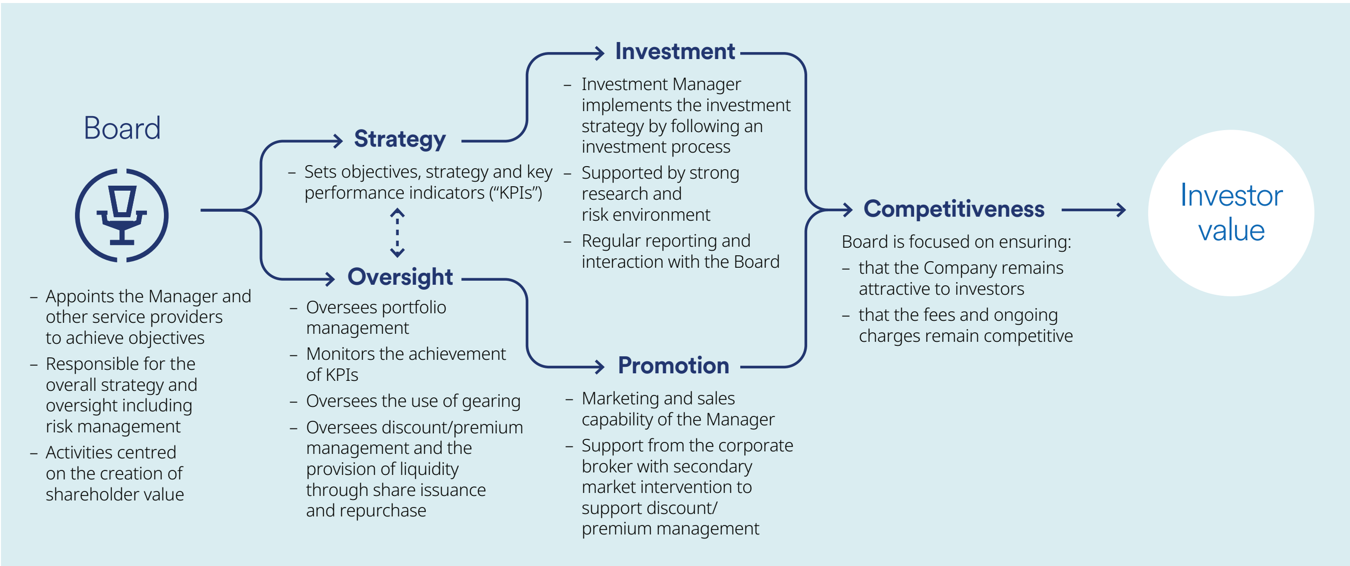
The Company's purpose is to create long-term shareholder value, in line with the investment objective.

The Company's culture is driven by its values: transparency, engagement and rigour, with collegial behaviour and constructive, robust challenge. The values are all centred on achieving returns for shareholders in line with the Company's investment objective. The Board also sets out the effective management or mitigation of the risks faced by the Company and, to the extent it does not conflict with the investment objective, aims to structure the Company's operations with regard to all its stakeholders and take account of the impact of the Company's operations on the environment and community.

As the Company has no employees and acts through its service providers, its culture is represented by the values and behaviour of the Board and third parties to which it delegates. The Board aims to fulfill the Company's investment objective by encouraging a culture of constructive challenge with all key suppliers and openness with all stakeholders. The Board is responsible for embedding the Company's culture in its operations.

Business model

The Board has appointed Schroder Unit Trusts Limited (the "Manager"), to implement the investment strategy and to manage the Company's assets in line with the appropriate restrictions placed on it by the Board, including limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, cash, derivatives and other financial instruments as appropriate. The terms of the appointment of the Manager, and the delegation by the Manager of investment management services to Schroder Investment Management Limited ("SIM" or the "Investment Manager"), are described more completely in the Directors' Report. The Manager also promotes the Company using its sales and marketing teams. The Board and Manager work together to deliver the Company's investment objective, as demonstrated in the diagram below.



Investment trust status

The Company carries on business as an investment trust. Its shares are listed and admitted to trading on the main market of the London Stock Exchange. It 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 it is intended that 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.

Continuation vote

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 contain provisions requiring the Directors to put a proposal for the continuation of the Company to shareholders at five yearly intervals. Accordingly, a continuation vote will be proposed at the upcoming AGM.

Investment model

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 returns in excess of the Tokyo Stock Price Index Total Return Index in sterling over the longer term.

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.

The Company may use gearing (including the use of CFDs) to enhance performance but investment exposure will not exceed 125% of net asset value.

Investment restrictions and spread of investment risk

The key restrictions imposed on the Manager are that: 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) the Company will not invest more than 15% of its gross assets in other listed investment companies or investment trusts; d) no more than 15% of the Company's total net assets may be invested in open-ended funds; and e) 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.

In accordance with the investment objective, the Company, while being invested in a single country, ensures that the objective of spreading risk has been achieved through portfolio diversification (62 investments spread over 21 sectors at 31 July 2024), the largest holding being Sumitomo Mitsui Financial Group with the portfolio weight of 5.3%.

Promotion

The Company promotes its shares to a broad range of investors who have the potential to be long-term supporters of the investment strategy. The Company seeks to achieve this through its Manager and corporate broker, which promote the shares of the Company through regular contact with both current and potential shareholders as well as their advisers.

These activities consist of investor lunches, one-on-one meetings, regional road shows and attendances at conferences for professional investors. In addition, the Company's shares are supported by the Manager's wider marketing of investment companies targeted at all types of investors; this includes maintaining close relationships with adviser and execution-only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on Schroders' website. The Board also seeks active engagement with investors, and meetings with the Chairman are offered to investors when appropriate.

Shareholders are encouraged to sign up to the Manager's Investment Trusts update, to receive information on the Company directly https://www.schroders.com/en/uk/adviser/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/never-miss-an-update/.

Details of the Board's approach to discount management and share issuance may be found in the Chairman's Statement on page 5 and in the Annual General Meeting – Recommendations on page 66.

Relations with shareholders

Shareholder relations are given high priority by both the Board and the Manager. The Company communicates with shareholders through its webpages and the annual and half year reports which aim to provide shareholders with a clear understanding of the Company's activities and its results.

In addition to the engagement and meetings held during the year described in "Promotion" above, the Chairman of the Board, Committee Chairs and the other Directors attend the AGM and are available to respond to queries and concerns from shareholders.

Key performance indicators (KPIs)

The Board reviews performance using a number of key measures, to monitor and assess the Company's success in achieving its objective. Further comment on performance can be found in the Chairman's Statement. The following KPIs are used:

- NAV performance;
- Share price discount;
- Share price premium; and
- Ongoing charges ratio.

Some KPIs are Alternative Performance Measures (APMs), and further details can be found on page 1 and definitions of these terms on pages 70 and 71.

Stakeholder engagement

Section 172 of the Companies Act 2006

During the year under review, the Board discharged its duty under section 172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members as a whole, having regard to the interests of all stakeholders. As an externally managed investment trust, the Company has no employees, operations or premises. The Board has identified its key stakeholders as the Company's shareholders, the Investment Manager, other service providers, investee companies and the Company's lender. The table below explains how the Directors have engaged with all stakeholders during the year and outlines the key activities undertaken. The key decisions made by the Board during the year are set out following the table.

Stakeholder	Significance	Engagement	2023/2024 highlights
Shareholders	Continued shareholder support and engagement are critical to the continuing existence of the business and the delivery of the long-term strategy of its business.	– Annual General Meeting (AGM): The Company welcomes attendance and participation from shareholders at the AGM. Shareholders have the opportunity to meet the Directors and the Investment Manager and to ask questions. The Board values the feedback it receives from shareholders which is incorporated into Board discussions. – Publications: The annual and half year results presentations, as well as factsheets, are available on the Company's web pages with their availability announced via the Stock Exchange. Feedback and/or questions received from shareholders enable the Company to evolve its reporting which, in turn, helps to deliver transparent and understandable updates. – Shareholder communication: The Investment Manager communicates with shareholders periodically. All investors are offered the opportunity to meet the Chairman, Senior Independent Director, or other Board members without using the Manager or Company Secretary as a conduit, by writing to the Company's registered office. The Board also corresponds with shareholders by letter and email. The Board receives regular feedback from its broker on investor engagement and sentiment. – Investor Relations updates: At every Board meeting, the Directors receive updates on share trading activity, share price performance and any shareholders' feedback, as well as any publications or comments in the press. To gain a deeper understanding of the views of its shareholders and potential investors, the Manager also undertakes investor roadshows following publications of results.	At the AGM in 2023 questions and feedback from shareholders were welcomed. The Board, along with the Manager, look forward to meeting and interacting with more shareholders at the forthcoming AGM in December 2024. The Company's web pages continued to be refreshed and enhanced during the year to optimise the user experience for shareholders and investors. Shareholders can, via the Company's web pages, subscribe to the Schroders investment trusts newsletter to receive regular updates on the Company. The Investment Manager engaged with a number of its shareholders and investors during the year and regular feedback was provided to the Board. A number of promotional activities were undertaken during the year including Investment Manager interviews, webinars and coverage in key publications. The Chairman engaged with the Company's largest shareholders prior to announcing its enhanced dividend and discount management policy. The Board continued to work with Kepler on promoting the Company through its research notes which were published twice during the year.

Stakeholder	Significance	Engagement	2023/2024 highlights
The Investment Manager	Holding the Company's shares offers investors a liquid investment vehicle through which they can obtain exposure to the Company's diversified portfolio of investments. The Investment Manager's performance is critical for the Company to deliver its investment strategy successfully and meet its objective.	Maintaining a close and constructive working relationship with the Investment Manager is crucial as the Board and the Investment Manager both aim to continue to achieve consistent, long-term returns in line with the investment objective. The Board invites the Investment Manager to attend all Board and certain Committee meetings in order to update the Directors on the performance of the investments and the implementation of the investment strategy and objective. Important components in the Board's collaboration with the Investment Manager are: – Encouraging open discussion with the Board; – Recognising that the interests of shareholders and the Investment Manager (as well as of its other clients) are, for the most part, well aligned, adopting a tone of constructive challenge, balanced when those interests are not fully congruent by robust negotiation of the Investment Manager's terms of engagement; and – Drawing on Directors' individual experience to support the Manager in its monitoring and change management of portfolio companies, for the benefit of all of the Investment Manager's clients. The Management Engagement Committee reviews the performance of the Investment Manager, its remuneration and the discharge of its contractual obligations at least annually.	Representatives of the Manager, including the Investment Manager, attended each Board meeting to provide an update on the investment portfolio along with presenting on macroeconomic issues. The portfolio activities undertaken by the Investment Manager and the impact of decisions affecting investment performance are set out in the Investment Manager's Review on pages 7 to 9.
Investee companies	The Board is committed to responsible investing and actively monitors the activities of investee companies through its delegation to the Investment Manager.	The Investment Management team conducts face-to-face and/or virtual meetings with the management teams of all investee companies to understand current trading and prospects for their businesses, and to ensure that their ESG investment principles and approach are understood. The Investment Manager has discretionary powers to exercise the Company's voting rights on resolutions proposed by the investee companies within the Company's portfolio. The Investment Manager reports to the Board on stewardship (including voting) issues and the Board will question the rationale for voting decisions made. By active engagement and exercising voting rights, the Investment Manager actively works with companies to improve corporate standards, transparency, and accountability.	The Board received regular updates on engagement with investee companies from the Investment Manager at its Board meetings. During the year, the Investment Manager engaged with many of its investee companies and voted at shareholder meetings (further details can be found on page 13).

Stakeholder	Significance	Engagement	2023/2024 highlights
Lender	Availability of funding and liquidity are crucial to the Company's ability to take advantage of investment opportunities as they arise.	Considering how important the availability of funding is, the Company aims to demonstrate to lenders that it is a well managed business and, in particular, that the Board focuses regularly and carefully on the management of risk. The Manager manages the relationship with the Company's lender and reports to the Board at each meeting as and when required for renewals of terms or negotiation of loan covenants. The Manager provides a monthly statement of compliance of the loan covenants to the lender.	The Investment Manager actively used gearing throughout the period and it had a positive effect on performance during the year. The Company's gearing continues to operate well within its pre-agreed limit of 25% of net asset value. At the 2023 AGM, shareholders approved a change of the Investment Policy to allow the Company to use CFDs to provide exposure to Japanese equities on a geared basis as an alternative to utilising bank borrowings. CFDs are now being used and the Company was able to fully repay its term loan facility early.
Other service providers	In order to operate as an investment trust on the main market of the London Stock Exchange, the Company relies on a diverse range of advisers to support meeting all relevant obligations.	The Board maintains regular contact with its key external providers, both through Board and Committee meetings, as well as outside of the regular meeting cycle. Their advice, as well as their needs and views, are routinely taken into account.	Under delegated authority from the Board, the Management Engagement Committee reviewed all material third party service providers. The Board specifically considered the effectiveness of the corporate broker and agreed the appointment of new corporate broker following a competitive tender process. The Board considered the ongoing appointments of its service providers to be in the best interests of the Company and its shareholders as a whole and will continue to monitor their progress in the year ahead. During the year, Directors were invited to attend an internal controls briefing session, hosted by the Manager which assessed the internal controls of certain key service providers including the Company's depositary and custodian, HSBC and the Company's registrar, Equiniti.
Wider society and the environment	Whilst strong long-term investment performance is essential for an investment trust, the Board recognises that to provide an investment vehicle that is sustainable over the long-term, both it and the Investment Manager must have regard to ethical and environmental issues that impact society. Hence ESG considerations are integrated into the Investment Manager's investment process and will continue to evolve.	The Board engages with the Investment Manager at each Board meeting in respect of its ESG considerations on existing and new investments.	The Board's desire for greater engagement reporting has resulted in the inclusion of case studies showcasing how the Investment Manager supports and integrates responsible investing in its investment process set out in this Annual Report. Further details of the ESG practices and case studies can be found in the Investment Process section of this report.

Examples of stakeholder consideration during the year

The Directors were particularly mindful of stakeholder considerations in reaching the following key decisions during the year ended 31 July 2024:

- The declaration of a final dividend of 5.40 pence per Ordinary share which, following approval by shareholders at the AGM held on 5 December 2023, was paid to shareholders on 8 December 2023.
- The Board and Management Engagement Committee undertook reviews of the Investment Manager and the Company's third-party service providers and agreed that their continued appointment and fees remained in the best interests of the Company and its shareholders.
- Together with the Investment Manager, the Board undertook its annual visit to Japan to conduct due diligence meetings with key personnel from the Investment Manager, consultants, and investee companies.
- The Board reviewed the effectiveness of the corporate broker and carried out a competitive tender process. In February 2024, the Board announced the appointment of J.P. Morgan Cazanove as the Company's sole corporate broker.

- The Board continued to consider succession planning and undertook a recruitment process to strengthen the Board. Following the resignation of Belinda Richards and the upcoming retirement of Alan Gibbs, the Board has welcomed two new independent non-executive Directors; Samantha Wren, who will serve as Chair of the Audit and Risk Committee, and Merryn Somerset Webb.
- The Board announced an enhanced dividend policy to pay out 4% of average NAV in each financial year.
- The Board announced a new Conditional Tender Offer mechanism. In the event that the Investment Manager does not deliver performance at least in line with the Benchmark over a five-year period starting from 31 July 2024, then the Board will put to shareholders a proposal for a tender offer of 25% of the issued share capital at a price equal to the prevailing NAV less costs.

Corporate and social responsibility

The Board recognises the Company's responsibilities with respect to corporate and social responsibility and engages with its outsourced service providers to safeguard the Company's interests. As part of this ongoing monitoring, the Board receives reporting from its service providers with respect to their anti-bribery and corruption policies; Modern Slavery Act 2015 statements; diversity policies; financial crime policies; greenhouse gas and energy usage reporting.

Diversity policy

The Board has adopted a diversity and inclusion policy. Appointments and succession plans will always be based on merit and objective criteria and, within this context, the Board seeks to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. The Board will encourage any recruitment agencies it engages to find a range of candidates that meet the objective criteria agreed for each appointment. Candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board taking into account the criteria for the role being offered.

Statement on Board diversity – gender and ethnic background

The Board has made a commitment to consider diversity when reviewing the composition of the Board and notes the Listing Rules requirements (LR 9.8.6R(9) and (11)) regarding the targets on board diversity:

- at least 40% of individuals on the Board are women;
- at least one senior Board position is held by a woman; and
- at least one individual on the Board is from a minority ethnic background.

The FCA defines senior board positions as Chairman, Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") or Senior Independent Director ("SID"). As an investment trust with no executive officers, the Company has no CEO or CFO. The Board has reflected that the senior positions of the Company are the Chair of the Board and the SID in its diversity tables.

The Board has chosen to align its diversity reporting reference date with the Company's financial year end and proposes to maintain this alignment for future reporting periods. The following information has been provided by each Director through the completion of a questionnaire.

As at 31 July 2024, the Company met two of the three criteria which were the targets in relation to the number of Board members from a minority ethnic background and the percentage of women Board members. The target for at least one senior Board position to be held be a woman was not met and the Board is conscious that while the Directors are all independent and have a diverse range of views and experience, its small composition will make these targets challenging to fully implement. There have been no changes since 31 July 2024 to the date of publication of the annual report and accounts. Notwithstanding the FCA's definition of senior board positions, the appointment in July 2024 of a new Audit and Risk Committee Chair was to a woman.

The below tables set out the gender and ethnic diversity composition of the Board as at 31 July 2024 and at the date of this report.

Gender identity

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
Men	2	33.3	1
Women	3	50.0	0
Not specified/prefer not to say	1	16.6	1

Ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
White British or other White (including minority-white groups)	4	66.6	1
Mixed/Multiple Ethnic Groups	n/a	n/a	n/a
Asian/Asian British	1	16.6	n/a
Black/African/Caribbean/Black British	n/a	n/a	n/a
Other ethnic group, including Arab	n/a	n/a	n/a
Not specified/prefer not to say	1	16.6	1

Financial crime policy

The Company continues to be committed to carrying out its business fairly, honestly and openly, and operates a financial crime policy, covering bribery and corruption, tax evasion, money laundering, terrorist financing and sanctions, as well as seeking confirmations that the Company's service providers' policies are operating soundly.

Modern Slavery Act 2015

As an investment trust, the Company does not provide goods or services in the normal course of business and does not have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

Climate

Greenhouse gas emissions and energy usage

As the Company outsources its operations to third parties, it has no significant greenhouse gas emissions and energy usage to report.

Taskforce for Climate-Related Financial Disclosures ("TCFD")

Investment trusts are currently exempt from the TCFD. The Board will continue to monitor the situation. However, the Company's Manager produces an annual product level disclosure consistent with the TCFD which can be found here:
https://api.schroders.com/document-store/TCFD-GB72369M-Schroder%20Japan%20Growth%20Fund.pdf

Principal and emerging risks and uncertainties

The Board itself, and through its delegation to its Audit and Risk Committee, is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit and Risk Committee on an ongoing basis. This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives.

Risk assessment and internal controls review by the Board

Risk assessment includes consideration of the scope and quality of the systems of internal control operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the Audit and Risk Committee, including 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.

Although the Board believes that it has a robust framework of internal controls 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.

Both the principal risks and uncertainties and the monitoring system are also subject to robust review at least annually. The last assessment took place in March 2024.

During the year, the Board discussed and monitored a number of risks that could potentially impact the Company's ability to meet its strategic objectives. The Board receives updates from the Investment Manager, Company Secretary and other service providers on emerging risks that could affect the Company. The Board was mindful of the evolving global environment during the year; and the risks posed by volatile markets; geopolitical uncertainty; and inflation and corresponding interest levels which could affect the asset class. However, these are not factors which explicitly impacted the Company's performance.

No significant control failings or weaknesses were identified from the Audit and Risk Committee's ongoing risk assessment throughout the financial year and up to the date of this report. The Board is satisfied that it has undertaken a detailed review of the risks facing the Company and that the internal control environment continues to operate effectively.

Actions taken by the Board and, where appropriate, its Committees, to manage and mitigate the Company's principal risks and uncertainties are set out in the table below. The "Change" column on the right highlights at a glance the Board's assessment of any increases or decreases in risk during the year after mitigation and management. The arrows show the risks as increased, decreased, or unchanged.

Risk	Mitigation and management	Change during the year
Strategy		
Investment objective The Company's investment objectives may become out of line with the requirements of investors, resulting in a wide discount of the share price to underlying NAV per share.	The appropriateness of the Company's investment remit is periodically reviewed and the success of the Company in meeting its stated objectives is monitored. The share price relative to NAV per share is monitored and the use of buy back authorities is considered on a regular basis. The marketing and distribution activity is actively reviewed. Proactive engagement with shareholders.	
Cost base The Company's cost base could become uncompetitive, particularly in light of open-ended alternatives.	The ongoing competitiveness of all service provider fees is subject to periodic benchmarking against their competitors. Annual consideration of management fee levels.	
Investment		
Investment management The Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.	Review of the Manager's compliance with its agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio's risk profile; and whether appropriate strategies are employed to mitigate any negative impact of substantial changes in markets. Annual review of the ongoing suitability of the Manager is undertaken.	

Risk	Mitigation and management	Change during the year
Investment		
Financial and currency The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in Japanese equity markets could have an adverse impact on the market value of the Company's underlying investments and, as the Company invests predominantly in assets which are denominated in yen, its exposure to changes in the exchange rate between sterling and yen has the potential to have a significant impact on returns.	The risk profile of the portfolio considered appropriate strategies to mitigate any negative impact of substantial changes in markets discussed with the Manager. The Board considers overall hedging policy on a regular basis.	
Custody Safe custody of the Company's assets may be compromised through control failures by the depositary.	The depositary reports on safe custody of the Company's assets, including cash, and portfolio holdings independently reconciled with the Manager's records. The review of audited internal controls reports covering custodial arrangements is undertaken. Regular reports from the depositary on its activities, including matters arising from custody operations is received.	
Gearing and leverage The Company has the option to make use of loan facilities or to use CFDs to invest in equities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.	Gearing is monitored daily and strict restrictions on borrowings are imposed: gearing continues to operate within pre-agreed limits so as not to exceed 25% of shareholders' funds. The Company has now started to use long CFDs which are currently cheaper than bank loans and provide greater flexibility.	
Compliance		
Accounting, legal and regulatory 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. 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.	The confirmation of compliance with relevant laws and regulations by key service providers is reviewed. Shareholder documents and announcements, including the Company's published annual report, are subject to stringent review processes. Procedures are established to safeguard against the disclosure of inside information.	
Operational		
Service providers The Company has no employees and has delegated certain functions to a number of service providers, principally the Manager, depositary and registrar. Failure of controls, and poor performance of any service provider could lead to disruption, reputational damage, or loss.	Service providers are appointed subject to due diligence processes and with clearly-documented contractual arrangements detailing service expectations. Regular reporting is provided by key service providers and monitoring of the quality of their services provided. The Directors also receive presentations from the Manager, depositary and custodian, and the registrar on an annual basis. Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements and IT controls, and follow up of remedial actions as required.	

Risk	Mitigation and management	Change during the year
Operational		
Cyber The Company's service providers are all exposed to the risk of cyber attacks. Cyber attacks could lead to loss of personal or confidential information or disrupt operations.	Service providers report on cyber risk mitigation and management at least annually, which includes confirmation of business continuity capability in the event of a cyber attack. In addition, the Board received presentations from the Manager, depositary and custodian, and the registrar on cyber risk.	↑

Viability statement

The Directors have assessed the viability of the Company over a five year period, taking into account the Company's position at 31 July 2024 and the potential impacts of the principal risks and uncertainties it faces for the review period. The Directors have assessed the Company's operational resilience and they are satisfied that the Company's outsourced service providers will continue to operate effectively, following the implementation of their business continuity plans.

A period of five years has been chosen as the Board believes that this reflects a suitable time horizon for strategic planning, taking into account the investment policy, liquidity of investments, potential impact of economic cycles, nature of operating costs, dividends, and availability of funding.

In its assessment of the viability of the Company, the Directors have considered each of the Company's principal risks and uncertainties detailed on pages 22 to 24 and in particular the impact of a significant fall in Japanese equity markets on the value of the Company's investment portfolio. The Directors also considered the beneficial tax treatment the Company is eligible for as an investment trust. If changes to these taxation arrangements were to be made it would affect the viability of the Company to act as an effective investment vehicle.

Whilst the Company's Articles of Association require that a proposal for the continuation of the Company be put forward at the AGM in 2024, the Directors have no reason to believe such a resolution will not be passed by shareholders.

The Directors have considered the Company's income and expenditure projections and the fact that the Company's investments comprise of readily realisable securities which can be sold to meet funding requirements if necessary and on that basis consider that five years is an appropriate time period.

The Directors also considered a stress test in which the Company's NAV dropped by 50% and noted that, based on the assumptions in the test, the Company would continue to be viable over a five year period.

Based on the Company's processes for monitoring operating costs, the Board's view that the Manager has the appropriate depth and quality of resource to achieve superior returns in the longer term, the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

Going concern

The Directors have assessed the principal risks, the impact of the emerging risks and uncertainties and the matters referred to in the viability statement. Based on the work the Directors have performed, they have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period assessed by the Directors, which is at least 12 months from the date the financial statements were authorised for issue.

By order of the Board

Schroder Investment Management Limited
Company Secretary

25 September 2024

Governance

Governance

Philip Kay
Status: Chairman

Length of service: 2 years – appointed a Director in March 2022.

Experience: Dr Kay has over 40 years' experience in the Japanese investment market. He is a former Director of Fidelity Japan Trust plc, Schroder Securities Limited, and Smith New Court plc. He is currently Chairman of Hansard Global plc, a London listed financial services business. He is also a Director of The Hellenic and Roman Library, and The Society for the Promotion of Roman Studies.

Committee membership: Audit and Risk, Management Engagement (Chairman), and Nomination (Chairman) Committee.

Current remuneration: £41,500 per annum (effective from 1 July 2024).

Number of shares held: 26,527*

Helena Coles
Status: Independent Non-Executive Director

Length of service: 2 years – appointed a Director in March 2022.

Experience: Ms Coles has over 20 years' experience in emerging markets and Asian equity investment, which includes co-founding a specialist investment boutique, Rexiter Capital Management, part owned by State Street Global Advisors. She has held roles with Fidelity International and the Bank of England. Helena is currently a Director of JPMorgan Emerging Markets Investment Trust plc, and HgCapital Trust plc and Independent Investment Advisor to the Joseph Rowntree Charitable Trust.

Committee membership: Audit and Risk, Management Engagement, and Nomination Committee.

Current remuneration: £31,000 per annum (effective from 1 July 2024).

Number of shares held: 5,000*

Alan Gibbs
Status: Senior Independent Non-Executive Director

Length of service: 8 years – appointed a Director in February 2016.

Experience: Mr Gibbs worked for the Fleming Group, after which he helped set up and run two Far Eastern brokerages before joining J.O. Hambro (latterly Waverton). Mr Gibbs is Chairman of the Burdett Trust and a member of the Advisory Committee of the M&G Charibond Charities Fixed Interest Common Investment Fund as well as a member of the Advisory Committee of the M&G Equities Investment Fund for Charities. He is also a Director of The Junius S Morgan Benevolent Fund.

Committee membership: Audit and Risk, Management Engagement, and Nomination Committee.

Current remuneration: £31,000 per annum (effective from 1 July 2024).

Number of shares held: 150,000*

*Shareholdings are as at 25 September 2024, full details of Directors' shareholdings are set out in the Remuneration Report on page 39.

Angus Macpherson

Status: Independent Non-Executive Director

Length of service: 4 years – appointed a Director in February 2020.

Experience: Mr Macpherson's experience spans 30 years of working in corporate finance and capital markets, with Noble, Merrill Lynch and Lazard in London, Asia, New York and Edinburgh. Mr Macpherson is chairman of Templeton Emerging Markets Investment Trust and Noble & Company (UK) Limited and a non-executive director of Hampden Bank.

Committee membership: Audit and Risk, Management Engagement, and Nomination Committee.

Current remuneration: £31,000 per annum (effective from 1 July 2024).

Number of shares held: 49,440*

Merryn Somerset Webb

Status: Independent Non-Executive Director

Length of service: Less than 1 year – appointed a Director on 4 July 2024.

Experience: Ms Somerset Webb is a seasoned financial expert with a comprehensive understanding of investment trusts. Known for her role as a senior columnist for Bloomberg Opinion and before that for the Financial Times, she regularly shares her financial insights across various media. She was also Editor-in-Chief of MoneyWeek, the UK personal finance magazine. Ms Somerset Webb's previous non-executive directorships include Murray Income Investment Trust plc, Baillie Gifford Shin Nippon plc, Montanaro European Smaller Companies Trust plc and Netwealth Investments Limited. She is currently a Director of BlackRock Throgmorton Trust plc. Early in her career, Ms Somerset Webb worked in Tokyo as an institutional salesperson in Japanese equities for UBS Warburg, having previously studied Japanese at SOAS (University of London) and as a Daiwa scholar in Japan.

Committee membership: Audit and Risk, Management Engagement, and Nomination Committee.

Current remuneration: £31,000.

Number of shares held: nil*

Samantha Wren

Status: Independent Non-Executive Director and Chairman of the Audit and Risk Committee

Length of service: Less than 1 year – appointed a Director on 4 July 2024.

Experience: Ms Wren has extensive accounting and auditing experience. She has previously held the position of Chief Executive at IPGL Limited, a private investment firm where she held a number of directorships of investee companies across a variety of sectors. Before her tenure at IPGL, she served as a board member and Group Chief Financial Officer and Group Chief Operating Officer at NEX Group plc. Earlier in her career, Ms Wren held various positions at The Rank Group plc, where she also served as a director of the Rank Pension Plan Trustee Limited. Ms Wren is a qualified Chartered Management Accountant and holds an honours degree in Economics from the University of Portsmouth. She is currently a Director of Chapel Down Group plc where she chairs the Remuneration Committee, and The City of London Investment Trust plc, where she also chairs the Audit Committee, however, she will be stepping down in October 2024 having served nine years.

Committee membership: Audit and Risk (Chairman), Management Engagement, and Nomination Committee.

Current remuneration: £35,500.

Number of shares held: 1,650*

*Shareholdings are as at 25 September 2024, full details of Directors' shareholdings are set out in the Remuneration Report on page 39.

The Directors submit their report and the audited financial statements of the Company for the year ended 31 July 2024.

Corporate governance statement

The Company 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.

The Financial Conduct Authority requires all UK listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code 2018 (the "UK Code") issued by the Financial Reporting Council ("FRC"). The UK Code is available on the FRC's website: www.frc.org.uk.

The Company is a member of the Association of Investment Companies ("AIC"), which has published its own Code of Corporate Governance to recognise the special circumstances of investment trusts (www.theaic.co.uk) as endorsed by the FRC. The Board has considered the principles and provisions of the AIC Code of Corporate Governance 2019 (the "AIC Code"), which addresses those set out in the UK Code, as well as setting out additional provisions on issues that are of specific relevance to the Company as an investment trust.

The AIC Code also includes an explanation of how the principles and provisions set out in the UK Code are adapted to make them relevant for investment companies.

The Board considers that reporting against the principles and provisions of the AIC Code provides more relevant information to shareholders.

The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the UK Code and the principles and provisions of the AIC Code except as set out below.

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive Directors' remuneration;
- the need for an internal audit function;
- the Chair of the Board not being a member of the Audit Committee; and
- the requirement to establish a Remuneration Committee.

The Board considers that these provisions, are not relevant to the Company, as an externally managed investment company. Furthermore, all of the Company's day-to-day management and administrative functions are outsourced to third parties and the Company has no executive Directors, employees or internal operations. The Company has not therefore reported further in respect of these provisions.

The Nomination Committee fulfils the function of the Remuneration Committee and considers any change in the Directors' remuneration policy. A separate committee has not therefore been established. As permitted under the AIC Code, the Chair is a member of the Audit and Risk Committee. An explanation as to why this is considered appropriate is set out in the Audit and Risk Committee Report on page 31.

Directors and officers

Chairman

The Chairman is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman's significant commitments are detailed on page 26. He has no conflicting relationships.

Senior Independent Director ("SID")

The SID acts as a sounding board for the Chairman, meets with major shareholders as appropriate, provides a channel for any shareholder concerns regarding the Chairman and takes the lead in the annual evaluation of the Chairman by the independent Directors.

Company Secretary

Schroder Investment Management Limited provides company secretarial support to the Board and is responsible for assisting the Chairman with Board meetings and advising the Board with respect to governance. The Company Secretary also manages the relationship with the Company's service providers, except for the Manager. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the address given on the back cover or by email: amcompanysecretary@schroders.com.

Role and operation of the Board

The Board of Directors, listed on pages 26 and 27 is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long term success. The Board is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objective of the Company continues to be met. The Board also ensures that the Manager adheres to the investment restrictions set by the Board and acts within the parameters set by it in respect of any gearing. The Business Review on pages 16 to 24 sets out further detail of how the Board reviews the Company's strategy, risk management and internal controls and also includes other information required for the Directors' Report, and is incorporated by reference.

A formal schedule of matters specifically reserved for decision by the Board has been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

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

The Board is satisfied that it is of sufficient size with an appropriate balance of diverse skills and experience, independence and knowledge of the Company, its sector, and the wider investment trust industry, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making.

The Board has approved a policy on Directors' conflicts of interest. Under this policy, 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. No Directors have any connections with the Manager, shared directorships with other Directors or material interests in any contract which is significant to the Company's business.

Committees

In order to assist the Board in fulfilling its governance responsibilities, it has delegated certain functions to Committees. The roles and responsibilities of these Committees, together with details of work undertaken during the year under review, are outlined over the next few pages.

The reports of the Audit and Risk Committee, Nomination Committee, and Management Engagement Committee are incorporated, and form part of, the Directors' Report.

Key service providers

The Board has adopted an outsourced business model and has appointed the following key service providers:

Manager

The Company is an Alternative Investment Fund as defined by the AIFM Directive and has appointed Schroder Unit Trusts Limited ("SUTL") as the Manager in accordance with the terms of an Alternative Investment Fund Manager ("AIFM") agreement. The AIFM agreement, which is governed by the laws of England and Wales, can be terminated by either party on six months' notice or on immediate notice in the event of certain breaches or the insolvency of either party. As at the date of this report no such notice had been given by either party.

SUTL is authorised and regulated by the FCA and provides portfolio management, risk management, accounting and company secretarial services to the Company under the AIFM agreement. The Manager 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 Manager has delegated investment management, administrative, accounting and company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited. The Company Secretary has an independent reporting line to the Manager and distribution functions within Schroders. The Manager has in place appropriate professional indemnity cover.

The Schroders Group manages £773.7 billion (as at 30 June 2024) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

The Manager is entitled to a fee at the rate of 0.75% per annum on assets up to and including £200 million and 0.65% per annum thereafter, charged on the net value of the Company's assets under management.

The management fee payable in respect of the year ended 31 July 2024 amounted to £2,349,000 (2023: £2,023,000).

A marketing support fee of £50,000 per annum is also payable to the Manager in respect of the promotion of the Company.

The Manager is also entitled to receive a fee for providing administration, accounting and company secretarial services to the Company. For those services, it receives an annual fee of £90,000.

Details of all amounts payable to the Manager are set out in note 17 on page 59.

The Management Engagement Committee has reviewed the performance of the Manager during the year under review and continues to consider that it has the appropriate depth of resource to deliver above average returns over the longer term and that the continuing appointment of the Manager on the terms agreed remains in the best interests of shareholders as a whole.

Depositary

HSBC Bank plc, which is authorised by the Prudential Regulation Authority ("PRA") and regulated by the FCA and the PRA, carries out certain duties of a depositary specified in the AIFM Directive including, in relation to the Company, as follows:

- safekeeping of the assets of the Company which are entrusted to it;
- cash monitoring and verifying the Company's cash flows; and
- oversight of the Company and the Manager.

The Company, the Manager and the depositary may terminate the Depositary Agreement at any time by giving 90 days' notice in writing. The Depositary may only be removed from office when a new Depositary is appointed by the Company.

Registrar

Equiniti Limited ("Equiniti") has been appointed as the Company's registrar. Equiniti's services to the Company include share register maintenance (including the issuance, transfer and cancellation of shares as necessary), acting as agent for the payment of any dividends, management of company meetings (including the registering of proxy votes and scrutineer services as necessary), handling shareholder queries and correspondence and processing corporate actions.

Share capital and substantial share interests

As at 25 September 2024, the Company had 118,453,286 ordinary shares of 10p in issue. 1,765,177 shares were held in treasury. Accordingly, the total number of voting rights in the Company as at 25 September 2024 were 116,688,109. Details of changes to the Company's share capital during the year are given in note 14 to the accounts on page 57. All shares in issue rank equally with respect to voting, dividends and any distribution on winding up.

The Board noted that the Company's shareholders appreciated the Board's discount management. The Board agreed to request renewal of the authorities to issue and buy back shares as described on page 5.

As at 31 July 2024 the following had interests in 3% or more of the voting rights attached to the Company's issued share capital.

	Shares at 31 July 2024	% of total voting rights
City of London Investment Management Company Limited	22,933,601	19.53
1607 Capital Partners, LLC	20,785,700	17.70
Allspring Global Investments, LLC	16,201,363	13.80
Hargreaves Lansdown Nominee Limited	5,597,247	4.77
Rathbones Investment Management Ltd*	5,166,289	4.40
Interactive Investor Services Nominees Limited	3,882,128	3.31
Wesleyan Assurance Society	3,803,283	3.24

*This holding is a combination of the Investec Wealth & Investment Ltd (3,439,926 shares) and Rathbones Investment Management Ltd (1,726,363 shares)

Revenue, final dividend and dividend policy

The net revenue return for the year, before finance costs and taxation, was £7,551,000 (2023: £7,526,000). After deducting finance costs and taxation the revenue amount available for distribution to shareholders was £6,565,000 (2023: £6,563,000) equivalent to net revenue of 5.53p (2023: 5.41p) per ordinary share. Distributable capital reserve amounts will be used to cover the outstanding distribution amount not covered by the revenue reserve.

The Directors have recommended the payment of a final dividend for the year of 10.81p per share (2023: 5.40p) payable on 13 December 2024 to shareholders on the register on 8 November 2024, subject to approval by shareholders at the Annual General Meeting on 10 December 2024.

Going forward, as stated previously, the Board will declare dividends on a quarterly basis based upon the average NAV of the 12 months trailing the quarter.

The Board's policy is to pay out substantially all the Company's revenue.

Provision of information to the auditor

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

Directors' attendance at meetings

Four Board meetings are usually scheduled each year to deal with matters including: the setting and monitoring of investment strategy; approval of borrowings and/or cash positions; review of investment performance; the level of premium or discount of the Company's shares to NAV per share and promotion of the Company; and services provided by third parties. Additional meetings of the Board are arranged as required.

The number of scheduled meetings of the Board and its Committees held during the financial year, and the attendance of individual Directors, is shown overleaf. Whenever possible all Directors attend the AGM.

Director	Board	Nomination Committee	Audit and Risk Committee	Management Engagement Committee
Philip Kay	4/4	1/1	2/2	1/1
Helena Coles	4/4	1/1	2/2	1/1
Alan Gibbs	4/4	1/1	2/2	1/1
Angus Macpherson	4/4	1/1	2/2	1/1
Belinda Richards[1]	4/4	1/1	2/2	1/1

[1]Belinda Richards resigned on 3 July 2024.
*Samantha Wren and Merryn Somerset Webb were appointed on 4 July 2024, after the last scheduled Board meeting of the year took place.

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

Directors' and officers' liability insurance and indemnities

Directors' and officers' liability insurance cover was in place for the Directors throughout the year. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgment is given in their favour by the court. This is a qualifying third party indemnity provision and was in place throughout the year under review and to the date of this report.

By order of the Board

Schroder Investment Management Limited
Company Secretary

25 September 2024

Audit and Risk Committee Report

Risk management → Internal controls → Accounting policies and judgements → Half year and annual report → Review of external auditors and their work

The responsibilities and work carried out by the Audit and Risk Committee during the year under review are set out in this report. The duties and responsibilities of the Committee, which include monitoring the integrity of the Company's financial reporting and internal controls, are set out in further detail below, and may be found in the terms of reference which are available on the Company's web pages: https://www.schroders.com/japantrust.

All Directors are members of the Committee. Belinda Richards acted as Chair of the Committee for the majority of the year and has now been succeeded by Samantha Wren following her appointment on 4 July 2024. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience and that the Committee as a whole has competence relevant to the sector in which the Company operates. The AIC Code permits the Chair of the Board to be a member of the Audit Committee of an investment trust. Therefore, it is considered appropriate for the Chair of the Board, who was independent on appointment, to be a member of the Committee.

Approach

Risk management and internal controls	Financial reports and valuation	Audit
Principal and emerging risks and uncertainties To establish a process for identifying, assessing, managing and monitoring the principal and emerging risks of the Company and to explain how these are managed or mitigated. The Committee is responsible for reviewing the adequacy and effectiveness of the Company's internal controls and the whistleblowing procedures operated by the AIFM and other services providers.	**Financial statements** To monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance and valuation. To also review the half-year report and accounts.	**Audit results** To discuss any matters arising from the audit and recommendations made by the auditor.
	Going concern and viability To review the position and make recommendations to the Board in relation to whether it considers it appropriate to adopt the going concern basis of accounting in preparing its annual and half-year report and accounts. The Committee is also responsible for reviewing the disclosures made by the Company in the viability statement.	**Auditor appointment, independence and performance** To make recommendations to the Board, in relation to the appointment, reappointment, effectiveness and removal of the external auditor, to review their independence, and to approve their remuneration and terms of engagement. Reviewing and agreeing the audit plan and engagement letter.

The Committee met twice during the year under review and the below table sets out how the Committee discharged its duties during the year under review and up until the approval of this report.

Further details on attendance can be found on page 30. Significant issues identified during the year under review and key matters communicated by the auditor during reporting are included below.

Application during the year

Risk management and internal controls	Financial reports and valuation	Audit
Principal risks Reviewed the principal and emerging risks faced by the Company together with the systems, processes and oversight in place to identify, manage and mitigate.	**Recognition of investment income** Considered dividends received against forecast and the allocation of special dividends to income or capital.	**Meetings with the auditor** The auditor attended meetings of the Committee to present their audit plan and the findings of the audit. The Committee met the auditor without representatives of the Manager present.
Service provider controls The operational controls maintained by the Manager, administrator, depositary and registrar were reviewed and included consideration of: – a summary, prepared by the AIFM, following review of the internal controls reports prepared bi-annually by HSBC in respect of its European Traditional Fund Services, Global Custody Services and Information Technology Services operations; – a summary, prepared by the AIFM following review, of the internal controls reports prepared annually by SIM; and – the Assurance Report on internal controls of Equiniti Share Registration Services. All internal controls reports were reported on by independent external accountants.	**Valuation and existence of holdings** The Company's assets are principally invested in quoted equities. The Board reviews detailed reports on portfolio holdings on a quarterly basis. The Committee reviewed internal control reports from the AIFM in the year, reporting on the systems and controls around the pricing and valuation of securities.	**Effectiveness of the independent audit process and auditor performance** The effectiveness of the independent audit firm and audit process was evaluated prior to making a recommendation to the Board that the auditor should be re-appointed at the forthcoming AGM. The Committee evaluated the auditor's performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards. Overall competence was also considered, alongside feedback from the Manager on the audit process. The professional scepticism of the auditor, during the audit process was questioned and the Committee was satisfied with the auditor's replies.
Internal controls and risk management Consideration of several key aspects of internal control and risk management operating within the Manager, administrator, depositary and registrar, including assurance reports and presentations on these controls.	**Calculation of the investment management fee and performance fee** Consideration of methodology used to calculate the fees, matched against the criteria set out in the AIFM agreement. **Allocation rate of indirect expenses to capital** Consideration of policy of allocating certain indirect expenses to capital. Further details in note 1(e).	**Auditor independence** Deloitte LLP has provided audit services to the Company since it was appointed on 19 June 2019. The auditors are required to rotate the senior statutory auditor every five years. There are no contractual obligations restricting the choice of external auditors. Following Chris Hunter rotating off, this is the first year that Michael Caullay has conducted the audit of the Company's financial statements.

Risk management and internal controls	Financial reports and valuation	Audit
Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010 Consideration of the Manager's report confirming compliance.	**Overall accuracy of the report and financial statements** Consideration of the annual report and financial statements and the letter from the Manager in support of the letter of representation to the auditor.	**Audit results** Met with and reviewed a comprehensive report from the auditor which detailed the results of the audit, compliance with regulatory requirements, safeguards that have been established, and on their own internal quality control procedures.
	Fair, balanced and understandable Reviewed the annual report and financial statements to advise the Board whether it was fair, balanced and understandable. Reviewed whether performance measures were reflective of the business, whether there was adequate commentary on the Company's strengths and weaknesses and that the annual report and financial statements, taken as a whole was consistent with the Board's view of the operation of the Company.	**Provision of non-audit services by the auditor** Reviewed the FRC's Guidance on Audit Committees and formulated a policy on the provision of non-audit services by the Company's auditor. The Committee has determined that the Company's appointed auditor will not be considered for the provision of certain non-audit services, such as accounting and preparation of the financial statements, internal audit and custody. The auditor may, if required, provide other non-audit services which will be judged on a case-by-case basis. The auditor did not provide any non-audit services to the Company during the year.
	Going concern and viability Reviewed the impact of risks on going concern and longer-term viability.	**Consent to continue as auditor** Deloitte LLP indicated to the Committee its willingness to continue to act as auditor.

Recommendations made to, and approved by, the Board:

- The Committee recommended that the Board approve the half year report and the annual report and financial statements.
- The Committee recommended the adoption of the going concern basis of accounting in the report and financial statements and the explanations set out in the viability statement.
- As a result of the work performed, the Committee has concluded that the annual report for the year ended 31 July 2024, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 41.
- Having reviewed the performance of the auditor, as described above, the Committee was satisfied that there were no circumstances that affected the independence and objectivity of the auditor and therefore considered it appropriate to recommend the auditor's re-appointment. Resolutions to re-appoint Deloitte as auditor to the Company, and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Samantha Wren
Audit and Risk Committee Chairman

25 September 2024

Management Engagement Committee Report

The Management Engagement Committee is responsible for (1) the monitoring and oversight of the Manager's performance and fees, and confirming the Manager's ongoing suitability, and (2) reviewing and assessing the Company's other service providers, including reviewing their fees. All Directors are members of the Committee. Philip Kay chaired the Committee during the year however, post year end it was decided that this responsibility would be taken by the Senior Independence Director. Its terms of reference are available on the Company's webpages: https://www.schroders.com/japantrust.

Approach

Oversight of the Manager

The Committee:

- reviews the Manager's performance, over the short- and long-term, against the Benchmark, peer group and the market;
- considers the reporting it has received from the Manager throughout the year, and the reporting from the Manager to the shareholders;
- assesses management fees on an absolute and relative basis, receiving input from the Company's broker, including peer group and industry figures, as well as the structure of the fees;
- reviews the appropriateness of the Manager's contract, including terms such as notice period; and
- assesses whether the Company receives appropriate administrative, accounting, company secretarial and marketing support from the Manager.

Oversight of other service providers

The Committee reviews the performance and competitiveness of the following service providers on at least an annual basis:

- depositary and custodian;
- corporate broker;
- registrar; and
- lender.

The Committee also receives a report from the Company Secretary on ancillary service providers, and considers any recommendations.

The Committee notes the Audit and Risk Committee's review of the auditor.

Application during the year

The Committee undertook a detailed review of the Manager's performance and agreed that it has the appropriate depth and quality of resource to deliver superior returns over the longer term.

The Committee also reviewed the terms of the AIFM agreement and agreed they remained fit for purpose.

The Committee reviewed the other services provided by the Manager and agreed they were satisfactory.

The Committee reviewed the progress of the Company with respect to the conditional tender offer conditions and noted that for the financial year the Company had delivered performance in excess over the conditions.

The annual review of each of the service providers was satisfactory.

The Committee noted that the Audit and Risk Committee had undertaken a detailed evaluation of the Manager, registrar, and depositary and custodian's internal controls.

Recommendations made to, and approved by, the Board:

- That the ongoing appointment of the Manager on the terms of the AIFM agreement, including the fee, was in the best interests of shareholders as a whole.
- That the Company's service providers' performance remained satisfactory.

Nomination Committee Report

The Nomination Committee is responsible for (1) the recruitment, selection and induction of Directors, (2) their assessment during their tenure, (3) the Board's succession, and (4) Directors' fees. All Directors are members of the Committee. Philip Kay is the Chairman of the Committee. Its terms of reference are available on the Company's webpages: https://www.schroders.com/japantrust.

Oversight of Directors

Selection → Induction → Annual evaluation → Annual review of succession policy → Application of succession policy

Approach

Selection and induction

- Committee prepares a job specification for each role, and an independent recruitment firm is appointed. For the Chairman and the Chairs of Committees, the Committee considers current Board members too.
- Job specification outlines the knowledge, professional skills, personal qualities and experience requirements.
- Potential candidates assessed against the Company's diversity policy.
- Committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the Board.
- Committee reviews the induction and training of new Directors.

Board evaluation and Directors' fees

- Committee assesses each Director annually.
- Evaluation focuses on whether each Director continues to demonstrate commitment to their role and provides a valuable contribution to the Board during the year, taking into account time commitment, independence, conflicts and training needs.
- Following the evaluation, the Committee provides a recommendation to shareholders with respect to the annual re-election of Directors at the AGM.
- All Directors retire at the AGM and their re-election is subject to shareholder approval.
- Committee reviews Directors' fees, taking into account comparative data and reports to shareholders.
- Any proposed changes to the remuneration policy for Directors are discussed and reported to shareholders.

Succession

- The Board's succession policy is that Directors' tenure will be for no longer than nine years, except in exceptional circumstances, and that each Director will be subject to annual re-election at the AGM.
- Committee reviews the Board's current and future needs at least annually. Should any need be identified the Committee will initiate the selection process.
- Committee oversees the handover process for retiring Directors.

↓

Application during the year (see overleaf)

Application during the year

Selection and induction	Board evaluation and Directors' fees	Succession
• Following a rigorous selection process using an independent external recruitment agency, Sapphire Partners, Samantha Wren and Merryn Somerset Webb were appointed to the Board with effect from 4 July 2024. Sapphire has no connection with the Company or any of the Directors. • The Committee noted that, as part of the appointment process, the new Directors have engaged in an induction programme with the Manager and its various operating functions. • Samantha Wren and Merryn Somerset Webb will stand for election as Directors at the forthcoming AGM, as set out in resolutions 7 and 8 of the Notice of AGM. • Other independent external recruitment agencies were also approached to provide proposals.	• The Board evaluation was undertaken in July 2024. • The Chairman reported on the effectiveness of the Board, himself and its leadership following the internal evaluation lead by the Chairman and Senior Independent Director where appropriate. • The Committee also reviewed each Director's time commitment and independence by reviewing a complete list of appointments, including pro bono not for profit roles, to ensure that each Director remained free from conflict and had sufficient time available to discharge each of their duties effectively. All Directors were considered to be independent in character and judgement. • The Committee considered each Director's contributions, and noted that in addition to extensive experience as professionals and non-executive Directors, each Director had valuable skills and experience, as detailed in their biographies on pages 26 and 27. • Based on its assessment, the Committee provided individual recommendations for each Director's election or re-election. • The Committee reviewed Directors' fees, using external benchmarking, and recommended an increase in Directors' fees, as detailed in the remuneration report.	• The Committee reviewed the succession policy and agreed it was still fit for purpose. • The Committee considered the future needs of the Company and the effect of individual Directors leaving and whether this would create a skills/knowledge/ experience gap.

Recommendations made to, and approved by, the Board:

- That all Directors continue to demonstrate commitment to their roles, provide a valuable contribution to the deliberations of the Board, remuneration of the Directors was appropriate and Directors remain free from conflicts with the Company and its Directors, so should all be recommended for election or re-election by shareholders at the AGM.
- That Directors' fees be increased to £41,500 for the Chairman, £31,000 for non-executive Directors and £35,500 for the Audit and Risk Committee Chairman.
- That the Remuneration Report be put to shareholders for approval.
- That Sapphire Partners be engaged to assist in the search for two new non-executive Director positions.
- That Samantha Wren and Merryn Somerset Webb be appointed as a non-executive Directors with effect from 4 July 2024 and that their election as non-executive Directors be proposed, and recommended to shareholders for approval at the forthcoming AGM.
- That an AGM resolution be proposed to amend to Company's Articles of Association to increase the aggregate Director fee cap from £200,000 to £250,000 per annum to allow for potential interest rate fee increases over the coming years.

Introduction

The following remuneration policy is currently in force and is subject to a binding vote every three years. The next vote will take place at the 2026 AGM and the current policy provisions will apply until that date. The below Directors' annual report on remuneration is subject to an annual advisory vote. An ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM.

At the AGM held on 5 December 2023, 99.96% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Directors' remuneration policy were in favour, while 0.04% were against and 23,581 votes were withheld.

At the AGM held on 5 December 2023, 99.97% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Directors' remuneration report for the year ended 31 July 2023 were in favour, while 0.03% were against and 15,581 votes were withheld.

Directors' remuneration policy

The determination of the Directors' fees is a matter considered by the Nomination Committee and the Board.

It is the Nomination Committee's policy to determine the level of Directors' remuneration having regard to amounts payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs, taking into account the aggregate limit of fees set out in the Company's Articles of Association. This aggregate level of Directors' fees is currently set at £200,000 per annum however, an AGM resolution has been proposed to approve the amendment of the Articles of Association to increase this to £250,000 per annum to allow for potential interest rate increases to Directors' fees in the coming years.

The Chairman of the Board and the Chairman of the Audit and Risk Committee both receive fees at a higher rate than the other Directors to reflect their additional responsibilities. Directors' fees are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary to promote the success of the Company in reaching its short and long-term strategic objectives. Any Director who performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid additional remuneration to be determined by the Directors, subject to the previously mentioned fee cap.

The Board and its Committees are exclusively comprised of non-executive Directors. No Director past or present has an entitlement to a pension, and the Company has not, and does not intend to operate a share scheme for Directors or to award any share options or long-term performance incentives to any Director. No Director has a service contract with the Company. However, Directors have a letter of appointment. Directors do not receive exit payments and are not provided with any compensation for loss of office. No other payments are made to Directors other than the reimbursement of reasonable out-of-pocket expenses incurred in attending to the Company's business.

Implementation of policy

The terms of Directors' letters of appointment are available for inspection at the Company's registered office address during normal business hours and during the AGM at the location of such meeting.

The Board did not seek the views of shareholders in setting this policy. Any comments on the policy received from shareholders would be considered on a case-by-case basis.

As the Company does not have any employees, no employee pay and employment conditions were taken into account when setting this policy and no employees were consulted in its construction.

Directors' fees are reviewed annually and take into account research from third parties on the fee levels of Directors of peer group companies, as well as industry norms and factors affecting the time commitment expected of the Directors. New Directors are subject to the provisions set out in this remuneration policy.

Directors' annual report on remuneration

This report sets out how the Directors' remuneration policy was implemented during the year ended 31 July 2024.

Fees paid to Directors

The following amounts were paid by the Company to Directors for their services in respect of the year ended 31 July 2024 and the preceding financial year. Directors' remuneration is all fixed; they do not receive any variable remuneration. The performance of the Company over the financial year is presented in the Performance Summary at the start of the report.

	Fees		Taxable benefits[1]		Total	
	2024	2023	2024	2023	2024	2023
Director	£	£	£	£	£	£
Philip Kay	**40,125**	35,786	**641**	–	**40,766**	35,786
Anja Balfour[2]	**–**	13,534	**–**	2,464	**–**	15,998
Helena Coles[3]	**30,083**	29,167	**284**	–	**30,367**	29,167
Alan Gibbs	**30,083**	29,167	**95**	–	**30,178**	29,167
Angus Macpherson[4]	**30,083**	29,167	**16,042**	–	**46,125**	29,167
Belinda Richards[5]	**31,441**	33,167	**–**	–	**31,441**	33,167
Samantha Wren[6]	**2,672**	–	**–**	–	**2,672**	–
Merryn Somerset Webb[7]	**2,250**	–	**–**	–	**2,250**	–
Total	**166,737**	169,988	**17,062**	2,464	**183,799**	172,452

[1]Comprise amounts reimbursed for expenses incurred in carrying out business for the Company, and which have been grossed up to include PAYE and NI contributions.
[2]Resigned as Chairman, and from the Board on 5 December 2022.
[3]Appointed as a Director on 30 March 2022.
[4]The Director, who resides in Scotland, incurred taxable expenses associated with attending Board and Committee meetings. The taxable benefits paid this year covered expenses spanning a period of five years since appointment.
[5]Resigned as Audit Chair and from the Board on 3 July 2024.
[6]Appointed as Director and Audit Chair on 4 July 2024.
[7]Appointed as Director on 4 July 2024.

The information in the above table has been audited.

	Change in annual fee over years ended 31 July				
	2024	2023	2022	2021	2020
Director	%	%	%	%	%
Philip Kay (Chairman)	**12.1**	n/a	n/a	n/a	n/a
Anja Balfour	**n/a**	n/a	9.8	(1.2)	(1.7)
Helena Coles	**3.1**	n/a	n/a	n/a	n/a
Alan Gibbs	**3.1**	0.5	7.5	–	2.1
Angus Macpherson	**3.1**	2.7	5.2	n/a	n/a
Belinda Richards	**(5.2)**	2.0	4.5	–	5.2
Samantha Wren	**n/a**	n/a	n/a	n/a	n/a
Merryn Somerset Webb	**n/a**	n/a	n/a	n/a	n/a

Consideration of matters relating to Directors' remuneration

Following the review of Directors' fees by the Nomination Committee, it was proposed to increase to all Directors' fees by 3.33% (rounded to the nearest £500), to commence from 1 July 2024. (Chairman £41,500, Audit and Risk Committee Chairman £35,500, non-executive Directors £31,000). The Board approved this recommendation.

The members of the Board at the time that remuneration levels were considered were as set out on pages 26 and 27. Although no external advice was sought in considering the levels of Directors' fees, information on fees paid to Directors of other investment trusts managed by Schroders and peer group companies provided by the Manager and corporate broker was taken into consideration, as was independent third party research.

Change in annual remuneration payable

Directors	2024 £	2023 £	2022 £	2021 £	2020 £
Philip Kay	**40,766**	35,786	9,640	–	–
Anja Balfour	**–**	15,998	41,327	37,624	38,092
Helena Coles	**30,367**	29,167	9,487	–	–
Alan Gibbs	**30,178**	29,167	29,024	27,000	27,000
Richard Greer	**–**	–	–	–	18,000
Angus Macpherson[1]	**46,125**	29,167	28,404	27,000	13,500
Belinda Richards	**31,441**	33,167	32,504	31,100	31,100
Samantha Wren	**2,672**	–	–	–	–
Merryn Somerset Webb	**2,250**	–	–	–	–
	183,799	172,452	150,386	122,724	127,692

[1]The Director, who resides in Scotland, incurred taxable expenses associated with attending Board and Committee meetings. The taxable benefits paid this year covered expenses spanning a period of five years since appointment.

The table below compares the remuneration payable to Directors, to distributions made to shareholders during the year under review and the prior period. In considering these figures, shareholders should take into account the Company's investment objective.

Distributions to shareholders (share buy-backs) vs Directors' remuneration

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000	% Change
Remuneration payable to Directors	**184**	172	7.0
Dividends	**6,439**	5,961	
Share buybacks	**6,160**	4,359	
Total distributions paid to shareholders	**12,599**	10,320	22.1

Directors' share interests

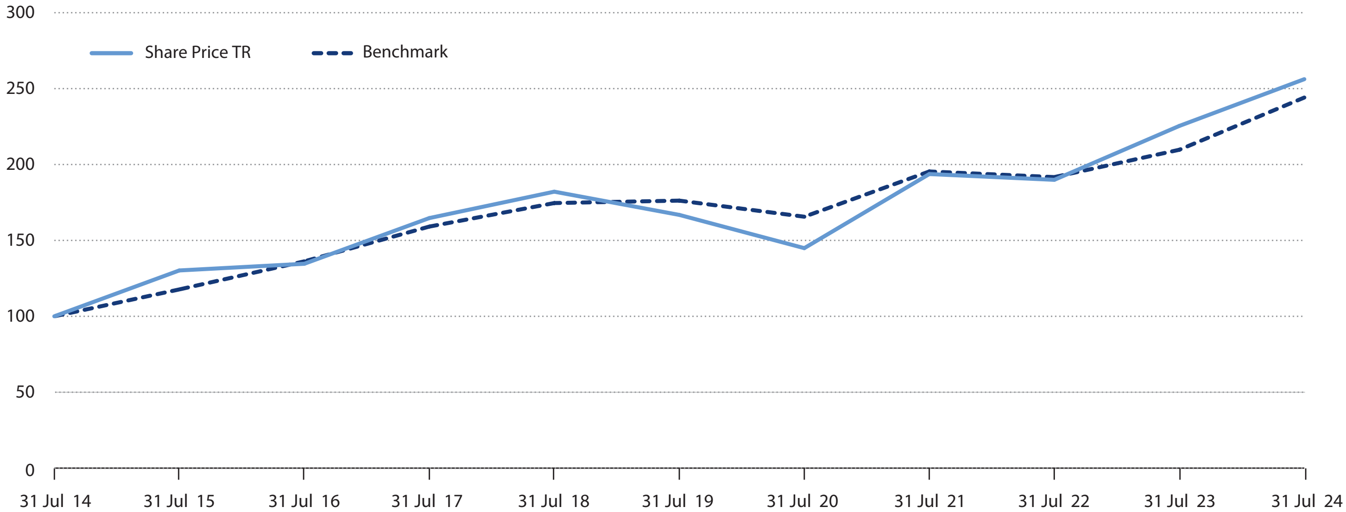
The Company's Articles of Association do not require Directors to own shares in the Company. The interests of Directors, including those of connected persons, at the beginning and end of the financial year under review, are set out below.

	At 31 July 2024	At 31 July 2023
Helena Coles	**5,000**	nil
Alan Gibbs	**150,000**	150,000
Philip Kay	**26,527**	18,627
Angus Macpherson	**49,440**	49,440
Belinda Richards[1]	**4,513**	4,513
Samantha Wren[2]	**1,650**	nil
Merryn Somerset Web[3]	**nil**	nil

[1] Belinda Richards resigned on 3 July 2024
[2] Samantha Wren was appointed as Director and Audit Chair.on 4 July 2024
[3] Merryn Somerset Webb was appointed as Director on 4 July 2024

The information in the above table has been audited. There have been no changes since the year end.

10-year performance of share price and benchmark total returns[1]



[1]Source: Morningstar/Thomson Reuters.
Returned to 100 at 31 July 2014.

Definitions of terms and performance measures are provided on pages 70 and 71.

On behalf of the Board

Philip Kay
Chairman
25 September 2024

Directors' responsibilities

The Directors are responsible for preparing the annual report and 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 the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 return or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 Directors' remuneration report comply with the Companies Act 2006.

The Directors 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.

The Manager is responsible for the maintenance and integrity of the webpage dedicated to the Company. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement

Each of the Directors, whose names and functions are listed in the Board of Directors on pages 26 and 27 confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Strategic Report 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; and
- that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board

Philip Kay
Chairman

25 September 2024


8F
8 – 22

Financial

Financial

1. Opinion

In our opinion the financial statements of Schroder Japan Trust plc (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 31 July 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice issued by the Association of Investment Companies in July 2022 "Financial Statements of Investment Trust Companies and Venture Capital Trusts"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of financial position; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice issued by the Association of Investment Companies ("SORP") in July 2022 "Financial Statements of Investment Trust Companies and Venture Capital Trusts".

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was:
	– Valuation and existence of listed investments
	Within this report, key audit matters are identified as follows: (!) Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used in the current year was £3.51m which was determined on the basis of 1% of net assets.
Scoping	We performed our audit scoping based upon quantitative and qualitative risk assessment factors for each account balance recorded as at 31 July 2024.
Significant changes in our approach	There have been no other significant changes to our audit approach in the current year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Considering as part of our risk assessment the nature of the company, its business model and related risks, the requirements of the applicable financial reporting framework and the system of internal control;
- Assessed the underlying data and key assumptions used to make the assessment, and evaluating the directors' plans for future actions in relation to their going concern assessment;
- Assessing the liquidity and ability of the Investment Manager to trade in the investment portfolio to cover operational expenditure as appropriate; and
- Assessing the appropriateness of the directors' disclosure in note 1 to the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the reporting on how the company has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation and existence of listed investments	
Key audit matter description	The listed investments of the Company of £353.9m (2023: £331.8m) make up 97% (2023: 98.5%) of total assets of the Company at 31 July 2024. There is a risk that the listed investments may not be valued correctly or may not represent the assets of the Company. Given the nature and size of the balance and its importance to the Company, we have considered that there is a potential risk of fraud in this area. See the accounting policy in note 1(b) of the Financial Statements and note 10 of the Financial Statements.
How the scope of our audit responded to the key audit matter	We performed the following procedures to address the key audit matter identified: – inspected the internal controls report over the administrator to obtain an understanding of relevant controls; – agreed 100% of the Company's investment portfolio at the year end to confirmations received directly from the depositary; and – agreed 100% of the bid prices of listed investments on the investment ledger at year end to closing bid prices published by an independent pricing source.
Key observations	Based on the work performed, we concluded that the valuation and existence of listed investments are appropriate.

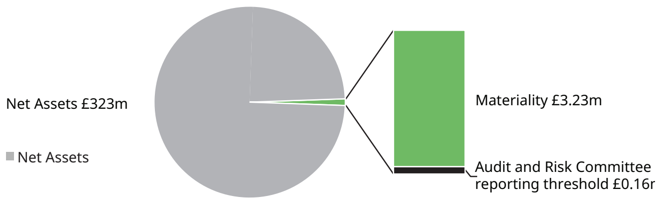
6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£3.51m (2023: £3.02m)
Basis for determining materiality	1% of net assets (2023: 1% of net assets)
Rationale for the benchmark applied	as we consider it to be the most relevant indicator of the company's performance for the users of the financial statements, as well as being a key driver of shareholder value.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2024 audit (2023: 70%). In determining performance materiality, we considered the following factors:

a. The company's structure and operating model.

b. The continuity in place within the business from the previous year with both management and the administrator.

c. The lack of changes to accounting policies during the current period which would require significant judgement.

d. Our experience from prior period audits, where there has not been a history of uncorrected misstatements or controls deficiencies.

e. Quality of the control environment and our ability to rely on controls over the valuation and existence of listed investments.

6.3 Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.18 million (2023: £0.15 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit scope was determined by obtaining an understanding of the company and its environment, including internal controls, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

In assessing the company's control environment, we considered controls in place at the company's service organisation which acts as administrator. As part of this, we reviewed the System and Organisation Controls (SOC 1) Report of the service organisation and have taken a controls reliance approach in respect of the controls relating to valuation and existence of listed investments. For the period of 4 months between the date of the SOC1 report and the company's year end, we tested the controls relating to valuation and existence of listed investments. We also reviewed the controls report of the service organisation in respect of general IT controls. Further, we obtained an understanding of relevant business processes and controls that address the risk of material misstatement in financial reporting.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the business and its financial statements. The company continues to develop its model for assessing and assigning an ESG score on existing and potential investments based on assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change, as outlined on page 12. As a part of our audit, we held discussions with Management to understand the process of identifying climate-related risks and the impact on the Company's financial statements. We have read the climate related disclosures in the annual report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, Directors, and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;

- – detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - – the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, IT, and financial instrument specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: valuation and existence of listed investments. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, and Investment Trust Tax Legislations.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

11.2 Audit response to risks identified

As a result of performing the above, we identified the valuation and existence of listed investments as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 24;
- the directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 24;
- the directors' statement on fair, balanced and understandable set out on page 33;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 22;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 22; and
- the section describing the work of the Audit and Risk Committee set out on pages 31 to 33.

14. Matters on which we are required to report by exception

14.1 Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or

– 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1 Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the board of directors on 10 April 2019 to audit the financial statements for the year ending 31 July 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is six years, covering the years ending 31 July 2019 to 31 July 2024.

15.2 Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Caullay *(Senior statutory auditor)*
for and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom

25 September 2024

Statement of Comprehensive Income
for the year ended 31 July 2024

	Note	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000
Net gains on investments held at fair value through profit or loss	2	–	52,343	52,343	–	22,484	22,484
Net gains on derivative contracts	10	–	929	929	–	–	–
Net foreign currency gains		–	3,055	3,055	–	3,920	3,920
Income from investments	3	8,917	–	8,917	8,766	–	8,766
Other interest receivable and similar income	3	54	–	54	20	–	20
Gross return		**8,971**	**56,327**	**65,298**	**8,786**	**26,404**	**35,190**
Investment management fee	4	(705)	(1,644)	(2,349)	(607)	(1,416)	(2,023)
Administrative expenses	5	(715)	–	(715)	(653)	–	(653)
Net return before finance costs and taxation		**7,551**	**54,683**	**62,234**	**7,526**	**24,988**	**32,514**
Finance costs	6	(94)	(221)	(315)	(86)	(200)	(286)
Net return before taxation		**7,457**	**54,462**	**61,919**	**7,440**	**24,788**	**32,228**
Taxation	7	(892)	–	(892)	(877)	–	(877)
Net return after taxation		**6,565**	**54,462**	**61,027**	**6,563**	**24,788**	**31,351**
Return per share (pence)	8	**5.53**	**45.85**	**51.38**	**5.41**	**20.45**	**25.86**

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no other items of other comprehensive income and therefore the net return/(loss) after taxation is also the total comprehensive income for the year.

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 52 to 64 form an integral part of these accounts.

Statement of Changes in Equity
for the year ended 31 July 2024

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Special purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 July 2022		12,200	7	301	3	91,237	170,347	7,334	281,429
Repurchase of the Company's own shares for cancellation		(210)	–	210	–	(4,359)	–	–	(4,359)
Net return after taxation		–	–	–	–	–	24,788	6,563	31,351
Dividend paid in the year	9	–	–	–	–	–	–	(5,961)	(5,961)
At 31 July 2023		11,990	7	511	3	86,878	195,135	7,936	302,460
Repurchase of the Company's own shares for cancellation		(145)	–	145	–	(3,426)	–	–	(3,426)
Repurchase of the Company's own shares into treasury		–	–	–	–	(2,734)	–	–	(2,734)
Net return after taxation		–	–	–	–	–	54,462	6,565	61,027
Dividend paid in the year	9	–	–	–	–	–	–	(6,439)	(6,439)
At 31 July 2024		**11,845**	**7**	**656**	**3**	**80,718**	**249,597**	**8,062**	**350,888**

The notes on pages 52 to 64 form an integral part of these accounts.

Statement of Financial Position
at 31 July 2024

	Note	2024 £'000	2023 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	353,898	331,756
Current assets			
Debtors	11	2,382	1,113
Cash and cash equivalents		7,396	4,081
Derivative financial instruments held at fair value through profit or loss		1,343	–
	10	**11,121**	5,194
Current liabilities			
Creditors: amounts falling due within one year	12	(13,179)	(1,669)
Amounts held at derivative clearing houses and brokers	11	(538)	–
Derivative financial instruments held at fair value through profit or loss	10	(414)	–
		(14,131)	(1,669)
Net current (liabilities)/assets		**(3,010)**	**3,525**
Total assets less current liabilities		**350,888**	**335,281**
Creditors: amounts falling due after more than one year	13	–	(32,821)
Net assets		**350,888**	**302,460**
Capital and reserves			
Called-up share capital	14	11,845	**11,990**
Share premium	15	7	7
Capital redemption reserve	15	656	511
Warrant exercise reserve	15	3	3
Share purchase reserve	15	80,718	86,878
Capital reserves	15	249,597	195,135
Revenue reserve	15	8,062	7,936
Total equity shareholders' funds		**350,888**	**302,460**
Net asset value per share (pence)	16	**298.88**	**252.25**

These accounts were approved and authorised for issue by the Board of Directors on 25 September 2024 and signed on its behalf by:

Philip Kay
Chairman

The notes on pages 52 to 64 form an integral part of these accounts.

Registered in England and Wales
Company registration number: 02930057

1. Accounting policies

(a) Basis of accounting

Schroder Japan Growth Fund plc (the "Company") is registered in England and Wales as a public company limited by shares. The company's registered office is 1 London Wall Place, London EC2Y 5AU.

The financial statements are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), in particular in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 July 2022. All of the Company's operations are of a continuing nature.

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. The Directors believe that the Company has adequate resources to continue operating for at least 12 months from the date of approval of these accounts. In forming this opinion, the Directors have taken into consideration: the controls and monitoring processes in place; the Company's level of debt and other payables; the level of operating expenses, comprising largely variable costs which would reduce pro rata in the event of a market downturn; and that the Company's assets comprise cash and readily realisable securities quoted in active markets. In forming this opinion, the Directors have also considered any potential impact of climate change, and the risk/impact of elevated and sustained inflation and interest rates on the viability of the Company. The Company has additionally performed stress tests which confirm that a 50% fall in the market prices of the portfolio would not affect the Board's conclusions in respect of going concern. Further details of Directors' considerations regarding this are given in the Chairman's Statement, Portfolio Managers' Review, Going Concern Statement, Viability Statement and under the Emerging Risks and uncertainties heading on page 22.

The Company has not presented a statement of cash flows, as it is not required for an investment trust which meets certain conditions; in particular that substantially all of the Company's investments are highly liquid and carried at market value.

The financial statements are presented in sterling and amounts have been rounded to the nearest thousand.

The accounting policies applied to these financial statements are consistent with those applied in the financial statements for the year ended 31 July 2023.

Other than the Directors' assessment of going concern, no significant judgements, estimates or assumptions have been required in the preparation of the accounts for the current or preceding financial 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 and derivative instruments 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". Investments are included initially at transaction price, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently, investments are valued at fair value, which are last traded prices as quoted on the Tokyo Stock Exchange.

The Contracts for Difference (CFD) held in the portfolio are valued based on the price of the underlying security or index which they are purchased to reflect. The fair value of the CFDs is the difference between the strike price and the underlying shares in the contract.

Investments that are unlisted or not actively traded are valued using a variety of techniques to determine their fair value; all such valuations are reviewed by both the AIFM's Fair Value Pricing Committee and by the directors. No investments held at the current or comparative year end have been valued using other techniques.

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

(c) Accounting for reserves

Gains and losses on sales of investments and increases and decreases in the valuation of investments are included in the statement of comprehensive income and in capital reserves within "gains on investments held at fair value through profit or loss.

Gains and losses on sales of CFDs and increases and decreases in the valuation of CFDs are included in the statement of comprehensive income and in capital reserves within "net gains on derivative contracts.

Foreign exchange gains and losses on cash and deposit balances and unrealised exchange gains and losses on foreign currency loans are included in the statement of comprehensive income and in capital reserves.

(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 investment management fee is allocated 30% to revenue and 70% to capital in line with the board's expected long-term split of revenue and capital return from the Company's investment portfolio.

– 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 56.

(f) Finance 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 in accordance with FRS 102.

Finance costs are allocated 30% to revenue and 70% to capital in line with the board's expected long-term split of revenue and capital return from the Company's investment portfolio.

(g) Financial instruments

Cash and cash equivalents 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

The tax charge for the year is based on amounts expected to be received or paid.

Deferred tax is accounted for in accordance with FRS 102.

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 statement of comprehensive income 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 capital.

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 accounting date and is measured on an undiscounted basis.

(i) Foreign currency

In accordance with FRS 102, the Company is required to determine a functional currency, being the currency in which the Company predominantly operates. 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.

Monetary assets, liabilities and equity investments denominated in foreign currencies at the year end, are translated at the rates of exchange prevailing at the year end.

(j) Dividends payable

In accordance with FRS 102, the final dividend is included in the accounts in the year in which it is paid.

(k) Repurchase of Ordinary Shares

The costs of repurchasing Ordinary shares including related stamp duty and transaction costs are taken directly to equity and reported through the Statement of Changes in Equity as a charge on the share purchase reserve. Share repurchase transactions are accounted for on a trade date basis.

The nominal value of Ordinary share capital repurchased and cancelled is transferred out of called up share capital and into the capital redemption reserve. The nominal value of Ordinary share capital repurchased and held in treasury remain in the called up share capital reserve.

2. Gains on investments held at fair value through profit or loss

	2024 £'000	2023 £'000
Gains on sales of investments based on historic cost	40,054	16,885
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	(29,179)	(17,909)
Gains/(losses) on sales of investments based on the carrying value at the previous balance sheet date	**10,875**	**(1,024)**
Net movement in investment holding gains and losses	41,468	23,508
Gains on investments held at fair value through profit and loss	**52,343**	**22,484**

3. Income

	2024 £'000	2023 £'000
Income from investments:		
Overseas dividends	8,917	8,766
Other interest receivable and similar income		
Deposit interest	54	20
Total income	**8,971**	**8,786**

4. Investment management fee

	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000
Management fee	**705**	**1,644**	**2,349**	**607**	**1,416**	**2,023**

The basis for calculating the investment management fee is set out in the Report of the Directors on page 29 and details of all amounts payable to the Manager are given in note 17 on page 59.

5. Administrative expenses

	2024 £'000	2023 £'000
Administration expenses	361	305
Directors' fees[1]	167	170
Company secretarial fee	90	90
Marketing support fee	58	50
Auditor's remuneration for audit services	39	38
	715	**653**

[1]Details of all amounts payable to Directors are given in the Remuneration Report on page 38.

6. Finance costs

	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000
Interest on bank loans and overdrafts	**94**	**221**	**315**	**86**	**200**	**286**

7. Taxation

(a) Analysis of tax charge for the year

	2024 £'000	2023 £'000
Irrecoverable overseas tax	892	877
Taxation	**892**	**877**

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2023: lower) than the Company's applicable rate of corporation tax for the year of 25% (2023: 21%).

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

	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000
Net return before taxation	7,457	54,462	61,919	7,526	24,988	32,514
Net return before taxation multiplied by the Company's applicable rate of corporation tax for the year of 25% (2023: 21%) Effects of :	1,864	13,616	15,480	1,562	5,206	6,768
Capital gains on investments	–	(14,082)	(14,082)	–	(5,545)	(5,545)
Income not chargeable to corporation tax	(2,229)	–	(2,229)	(1,840)	–	(1,840)
Unrelieved expenses	365	466	831	278	339	617
Irrecoverable overseas tax	892	–	892	877	–	877
Taxation for the year	**892**	**–**	**892**	**877**	**–**	**877**

(c) Deferred tax

The Company has an unrecognised deferred tax asset of £11,513,000 (2023: £10,682,000) based on a prospective corporation tax rate of 25.0% (2023: 25%). The main rate of corporation tax increased to 25% for fiscal years beginning on or after 1 April 2023.

This 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 status as an Investment Trust Company, no provision has been made for deferred tax on any capital gains or losses

8. Return per share

	2024 £'000	2023 £'000
Revenue return	6,565	6,563
Capital return	54,462	24,788
Total return	**61,027**	**31,351**
Weighted average number of ordinary shares in issue during the year	118,779,949	121,214,425
Revenue return per share (pence)	5.53	5.41
Capital return per share (pence)	45.85	20.45
Total return per share (pence)	**51.38**	**25.86**

9. Dividends

Dividend paid and proposed

	2024 £'000	2023 £'000
2023 final dividend proposed of 5.40p (2022: 4.90p) to be paid out of revenue profits	**6,439**[1]	**5,961**

	2024 £'000	2023 £'000
2024 final dividend proposed of 10.81p (2023: 5.40p) to be paid out of revenue profits	**12,691**	**6,475**

[1]The 2023 final dividend amounted to £6,475,000. However the amount actually paid was £6,439,000 as shares were repurchased and cancelled, after the accounting date, but prior to the dividend Record Date.

The proposed dividend amounting to £12,691,000 (2023: £6,475,000) is the amount used for the basis of determining whether the Company has satisfied the distribution requirements of Section 1158 of the Corporation Tax Act 2010. The revenue available for distribution by way of dividend for the year is £6,565,000 (2023; £6,563,000).

10. Investments held at fair value through profit or loss

(a) Movement in investments

	2024 £'000	2023 £'000
Opening book cost	277,426	264,723
Opening investment holding gains	54,330	48,731
Opening fair value	**331,756**	**313,454**
Analysis of transactions made during the year		
Purchases at cost	108,919	85,094
Sales proceeds received	(139,120)	(89,276)
Gains on investments held at fair value	52,343	22,484
Closing fair value	**353,898**	**331,756**
Closing book cost	287,279	277,426
Closing investment holding gains	66,619	54,330
Closing fair value	**353,898**	**331,756**

All investments are listed on a recognised stock exchange.

The Company received £139,120,000 (2023: £89,276,000) from disposal of investments in the year. The book cost of these investments when they were purchased were £99,066,000 (2023: £72,391,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

(b) Transaction costs

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

	2024 £'000	2023 £'000
On acquisitions	23	23
On disposals	30	21
	53	**44**

(c) Derivative financial instruments

Contracts for Differences (CFDs)	2024 £'000	2023 £'000
Currency gains on CFDs	–	–
Movement in investment holding gains on CFDs	929	–
	929	**–**

Derivative financial instruments held at fair value through profit or loss	2024 Asset exposure £'000	2024 Fair value £'000	2023 Asset exposure £'000	2023 Fair value £'000
CFD assets	32,577	1,343	–	–
CFD liabilities	16,117	(414)	–	–
	48,694	**929**	**–**	**–**

The CFDs are held in order to increase exposure to stock movements without the financial commitment of purchasing the stock. The total market exposure on the CFDs held at the year end is £48,694,000 (2023: £nil) and the liability attached to the contract for differences is £47,765,000 (2023: nil). This resulted in a net unrealised gain of £929,000 (2023: £nil).

11. Current Assets

Debtors	2024 £'000	2023 £'000
Securities sold awaiting settlement	1,960	750
Dividends and interest receivable	398	338
Other debtors	24	25
	2,382	**1,113**

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

Cash and cash equivalents	2024 £'000	2023 £'000
Cash at bank	7,396	4,081
Amounts held at derivative clearing houses and brokers	(538)	–
	6,858	**4,081**

12. Current Liabilities Creditors: amounts falling due within one year

	2024 £'000	2023 £'000
Securities purchased awaiting settlement	1,943	951
Repurchase of ordinary shares into treasury awaiting settlement	109	–
Other creditors and accruals	778	718
Bank loan	10,349	–
	13,179	**1,669**

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

The Company has a yen 2.0 billion credit facility available from Sumitomo Mitsui Banking Corporation, London Branch, which was fully drawn at the year end (2023: undrawn).

Further details of the facility are given in note 20 on page 59.

13. Creditors: amounts falling due after more than one year

	2024 £'000	2023 £'000
Bank loan	**–**	**32,821**

In addition to the credit facility detailed in Note 12 above, the Company had a yen 6.0 billion three-year term loan from SMBC Bank International plc, which was to expire January 2025. The bank loan was fully repaid during the year (2023: yen 6.0 billion).

14. Called-up share capital

	2024 £'000	2023 £'000
Ordinary shares allotted, called-up and fully paid:		
Ordinary shares in issue:		
Opening balance of 119,903,965 (2023: 122,00,562) ordinary shares of 10p each	11,990	12,200
Repurchase and cancellation of 1,450,679 (2023: 2,096,597) shares	(145)	(210)
Repurchase of 1,052,758 (2023: nil) shares held in treasury	(105)	–
Subtotal of 117,400,528 (2023: 119,903,965) shares	11,740	11,990
1,052,758 (2023: nil) shares held in treasury	105	–
Closing balance of 118,453,286 (2023: 119,903,965) shares	**11,845**	**11,990**

During the year, the Company purchased 2,503,437 of its own shares, nominal value £145,000, for cancellation and £105,000 to hold in treasury, for a total consideration of £6,160,000 representing 2.09% of the shares outstanding at the beginning of the year. The reason for these share repurchases was to seek to manage the volatility of the share price discount to net asset value per share.

15. Reserves

2024	Capital reserves						
	Share premium[1] £'000	Capital redemption reserve[1] £'000	Warrant exercise reserve[1] £'000	Share purchase reserve[2] £'000	Gains and losses on sales of investments[2] £'000	Investment holding gains and losses[3] £'000	Revenue reserve[4] £'000
Opening balance	7	511	3	86,878	135,027	60,108	7,936
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	10,875	–	–
Net movement in investment holding gains and losses	–	–	–	–	–	41,468	–
Transfer on disposal of investments	–	–	–	–	29,179	(29,179)	–
Gains on contracts for difference	–	–	–	–	–	929	–
Realised exchange losses on cash and short-term deposits	–	–	–	–	(8)	–	–
Exchange gains/(losses) on foreign currency loan	–	–	–	–	8,282	(5,219)	–
Management fee and finance costs allocated to capital	–	–	–	–	(1,865)	–	–
Share repurchases for cancellation	–	145	–	(3,426)	–	–	–
Share repurchases into treasury	–	–	–	(2,734)	–	–	–
Dividend paid	–	–	–	–	–	–	(6,439)
Retained revenue for the year	–	–	–	–	–	–	6,565
Closing balance	**7**	**656**	**3**	**80,718**	**181,490**	**68,107**	**8,062**

2023	Capital reserves						
	Share premium[1] £'000	Capital redemption reserve[1] £'000	Warrant exercise reserve[2] £'000	Share purchase reserve[2] £'000	Gains and losses on sales of investments[2] £'000	Investment holding gains and losses[3] £'000	Revenue reserve[4] £'000
Opening balance	7	301	3	91,237	119,908	50,439	7,334
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	(1,024)	–	–
Net movement in investment holding gains and losses	–	–	–	–	–	23,508	–
Transfer on disposal of investments	–	–	–	–	17,909	(17,909)	–
Realised exchange losses on cash and short-term deposits	–	–	–	–	(150)	–	–
Exchange gains on foreign currency loan	–	–	–	–	–	4,070	–
Management fee and finance costs allocated to capital	–	–	–	–	(1,616)	–	–
Share repurchases for cancellation	–	210	–	(4,359)	–	–	–
Dividend paid	–	–	–	–	–	–	(5,961)
Retained revenue for the year	–	–	–	–	–	–	6,563
Closing balance	**7**	**511**	**3**	**86,878**	**135,027**	**60,108**	**7,936**

[1]These reserves are not distributable.

[2]These are realised (distributable) capital reserves which may be used to repurchase the Company's own shares or distributed as dividends.

[3]This reserve comprises holding gains on liquid investments (which may be deemed to be realised) and other amounts which are unrealised. An analysis has not been made between those amounts that are realised (and may be distributed as dividends or used to repurchase the Company's own shares) and those that are unrealised.

[4]The revenue reserve may be distributed as dividends or used to repurchase the Company's own shares.

16. Net asset value per share

	2024	2023
Net assets attributable to shareholders (£'000)	350,888	302,460
Shares in issue at the year end	117,400,528	119,903,965
Net asset value per share (pence)	298.88	252.25

17. Transactions with the Manager

Under the terms of the AIFM Agreement, the Manager is entitled to receive a management fee, a marketing support fee and a company secretarial fee. Details of the AIFM agreement are given in the Report of the Directors on page 29. Any investments in funds managed or advised by the Manager or any of its associated companies are excluded from the assets used for the purpose of the management fee calculation and therefore incur no fee.

The management fee payable in respect of the year ended 31 July 2024 amounted to £2,349,000 (2023: £2,023,000), of which £613,000 (2023: £535,000) was outstanding at the year end. The marketing support fee payable to the Manager amounted to £50,000 (2023: £50,000) of which £13,000 (2023: £13,000) was outstanding at the year end. The company secretarial fee payable to the Manager amounted to £90,000 (2023: £90,000) of which £23,000 (2023: £23,000) was outstanding at the year end.

18. Related party transactions

Details of the remuneration payable to Directors are given in the Remuneration Report on page 38 and details of Directors' shareholdings are given in the Report of the Directors on page 39. Details of transactions with the Manager are given in note 17 above. There have been no other transactions with related parties during the year (2023: nil).

19. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio and derivative financial instruments.

FRS 102 requires financial instruments to be categorised into a hierarchy consisting of the three levels below.

Level 1 – valued using unadjusted quoted prices in active markets for identical assets.

Level 2 – valued using observable inputs other than quoted prices included within Level 1.

Level 3 – valued using inputs that are unobservable.

Details of the valuation techniques used by the Company are given in note 1(b) on page 52.

The following table sets out the fair value measurements using the FRS 102 hierarchy at 31 July:

	2024			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	353,898	–	–	353,898
Derivative financial instruments – contracts for differences (CFDs)	–	929	–	929
Total	**353,898**	**929**	**–**	**354,827**

	2023			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	331,756	–	–	331,756
Total	**331,756**	**–**	**–**	**331,756**

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

The investment objective is set out on the inside front cover of this report. 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 or a reduction in profits available for dividends.

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;
- a credit facility and a term loan, the purpose of which are to manage working capital requirements and to gear the Company as appropriate;
- short-term debtors, creditors and cash arising directly from its operations; and
- Contract for differences, which are used for the purpose to gain exposure to the Japanese market.

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

(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 the exchange rate 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. It is currently not the Company's policy to actively hedge against currency risk. However any yen denominated borrowing acts 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.

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 and derivative financial instruments (which are not monetary items) have been included separately in the analysis so as to show the overall level of exposure.

	2024 £'000	2023 £'000
Debtors (securities sold awaiting settlement, dividends and interest receivable)	2,358	1,080
Cash and cash equivalents	5,709	694
Creditors (securities purchased awaiting settlement)	(1,943)	(951)
Bank loans (including accrued interest payable)	(10,373)	(32,833)
Foreign currency exposure on net monetary items	(4,249)	(32,010)
Investments held at fair value through profit or loss that are equities	353,898	331,756
Derivative financial instruments held at fair value through profit or loss	929	–
Total net foreign currency exposure	**350,578**	**299,746**

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% (2023: 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:

	2024 £'000	2023 £'000
Statement of comprehensive income – return after taxation		
Revenue return	798	782
Capital return	(447)	(3,221)
Total return after taxation for the year	351	(2,439)
Net assets	35,058	29,975
	35,409	**27,536**

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

	2024 £'000	2023 £'000
Statement of comprehensive income – return after taxation		
Revenue return	(798)	(782)
Capital return	447	3,221
Total return after taxation for the year	(351)	2,439
Net assets	(35,058)	(29,975)
	(35,409)	**(27,536)**

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 may use gearing to enhance performance (including the use of CFDs) but investment exposure will not exceed 125% of net asset value.

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. The Company has a revolving credit facility agreement which carries a floating rate of interest and which is therefore exposed to interest rate changes.

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:

	2024 £'000	2023 £'000
Exposure to floating interest rates:		
Cash and cash equivalents	7,396	4,081
Creditors: amounts falling due within one year:		
Bank loan - revolving credit facility	(10,349)	–
Creditors: amounts falling due after more than one year :		
Bank loan – term loan	–	(32,821)
Total exposure	**(2,953)**	**(28,740)**

The floating rate assets consist of cash deposits on call. Sterling cash deposits at call earn interest at floating rates based on Sterling Overnight Index Average ("SONIA") rates, (2023: same).

The bank loan is a yen 2 billion, 184 day credit facility arrangement with SMBC, to 10 November 2024. Under the terms of the agreement, interest is payable at the "Compounded Reference Rate", being the aggregate of the Daily Non-Cumulative Compounded Risk Free Reference Rate plus the applicable Credit Adjustment Spread.

During the year, the Company fully repaid its yen 6.0 billion three-year term loan from SMBC Bank International plc, expiring in January 2025 and carrying a floating interest rate, calculated at the daily Compounded Risk Free Rate, plus a 0.8% margin.

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 exposure during the year was as follows:

	2024 £'000	2023 £'000
Maximum debit interest rate exposure during the year – net debt	(41,938)	(35,502)
Minimum debit interest rate exposure during the year – net debt	(3,491)	(27,447)

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

(a) Market risk continued

(ii) Interest rate risk continued

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1.0% (2023: 1.0%) increase or decrease in interest rates. 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 accounting date and which are exposed to interest rate movements, with all other variables held constant.

	2024		2023	
	1.0% increase in rate £'000	1.0% decrease in rate £'000	1.0% increase in rate £'000	1.0% decrease in rate £'000
Statement of comprehensive income – return after taxation				
Revenue return	38	(38)	(58)	58
Capital return	(72)	72	(230)	230
Total return after taxation	(34)	34	(288)	288
Net assets	**(34)**	**34**	**(288)**	**288**

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 the Company's 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 comprised its portfolio of investments as follows:

	2024 £'000	2023 £'000
Investments held at fair value through profit or loss	353,898	331,756
Derivative financial instruments - portfolio exposure	48,694	–
	402,592	**331,756**

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

Concentration of exposure to market price risk

An analysis of the Company's investments is given on page 14. The portfolio comprises securities listed on Japanese stock markets and CFDs with exposure to the Japanese stock market. 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% (2023: 10%) in the fair values of the Company's investments. 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 exposure to market price risk through its portfolio of investments and includes the impact on the management fee but assumes all other variables are held constant.

	2024		2023	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of comprehensive income – return after taxation				
Revenue return	(79)	79	(65)	65
Capital return	40,076	(40,076)	33,025	(33,025)
Total return after taxation and net assets	**39,998**	**(39,998)**	**32,960**	**(32,960)**
Percentage change in net asset value	**11.4%**	**(11.4%)**	**10.9%**	**(10.9%)**

(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 and derivative instruments, which can be sold to meet funding requirements if necessary. Short-term flexibility is achieved through the use of a credit facility.

Liquidity risk exposure

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

	2024 Within one year £'000	2024 Total £'000	2023 Within one year £'000	2023 Two to three years £'000	2023 Total £'000
Creditors: amounts falling due within one year					
Securities purchased awaiting settlement	1,943	1,943	951	–	951
Repurchase of ordinary shares into treasury awaiting settlement	109	109	–	–	–
Other creditors and accruals	753	753	706	–	706
Amounts held at derivative clearing houses and brokers	538	538	–	–	–
Interest on revolving credit facility	25	25	–	–	–
Bank loan - revolving credit facility	10,349	10,349	–	–	–
Creditors: amounts falling due after more than one year					
Interest on term loan Term loan	–	–	263	123	386
Bank loan -– term loan	–	–	–	32,821	32,821
	13,717	**13,717**	**1,920**	**32,944**	**34,864**

(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 almost entirely in markets that operate a 'Delivery versus Payment' settlement process, ensuring the security of trades and reducing the risk of losing the principal amount. This approach extends to various investment instruments, while Contracts for Difference (CFDs) are settled through cash payments based on the difference between the opening and closing prices, rather than physical delivery of the underlying assets. 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 and brokers must be pre-approved by the Manager's credit committee. In relation to CFDs, Counterparty risk is limited to the profit on a contract, not the notional value. The value in this regard is shown in the table below under credit risk exposure.

Exposure to the Custodian

The Custodian of the Company's assets is HSBC Bank plc which has Long-Term Credit Ratings of AA- with Fitch and Aa3 with Moody's.

The Company's investments are held in accounts which are segregated from the Custodian's own trading assets. If the Custodian were to become insolvent, the Company's right of ownership of its investments is clear and they are therefore protected. However the Company's cash balances are all deposited with the Custodian as banker and held on the Custodian's balance sheet. In accordance with usual banking practice, the Company will rank as a general creditor to the Custodian in respect of cash balances.

Credit risk exposure

The following amounts shown in the Statement of Financial Position, represent the maximum exposure to credit risk at the current and comparative year end.

	2024 £'000	2023 £'000
Current assets		
Debtors – securities sold awaiting settlement, dividends and interest receivable and other debtors	2,382	1,113
Cash and cash equivalents	7,396	4,081
Derivative Financial instruments	1,343	–
	11,121	**5,194**

No debtors are past their due date and no provision has been made for impairment.

The Company held collateral denominated in Japanese Yen (JPY) in a segregated account with JPMorgan Chase Bank. The total amount from JPMorgan Chase Bank as at 31 July 2024 was £538,000.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either carried at fair value or the amount in the Statement of Financial Position 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:

	2024 £'000	2023 £'000
Debt		
Bank loan	10,349	32,821
Equity		
Called-up share capital	11,845	11,990
Reserves	339,043	290,470
	350,888	**302,460**
Total debt and equity	**361,237**	**335,281**

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the capital return to shareholders through an appropriate level of gearing. The Board's policy is that the Company may use gearing to enhance performance (including the use of CFDs) but investment exposure will not exceed 125% of net asset value. Following the change in investment policy gross gearing is calculated as the amounts by which portfolio exposure exceeds net assets expressed as a percentage of net assets.

	2024 Portfolio exposure £'000	2024 Portfolio exposure %[1]	2023 Portfolio exposure £'000	2023 Portfolio exposure %[1]
Investments	353,898	100.9	–	–
Portfolio exposure on CFDs	48,694	13.9	–	–
Total portfolio exposures	**402,592**	**114.8**	**–**	**–**
Net assets	350,888		–	–
Gross gearing[2]		**14.8**	**–**	**–**

[1]Portfolio exposure to the market expressed as a percentage of net assets.
[2]Gross gearing is the amount by which portfolio exposure exceeds net assets expressed as a percentage of net assets.

In the prior year the Board's policy was to limit gearing to 25%. Net gearing for this purpose is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

	2024 £'000	2023 £'000
Borrowings used for investment purposes, less cash	3,491	28,740
Net assets	350,888	302,460
Net gearing	1.0%	9.5%

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 shares to be held in treasury, 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.

Other Information (Unaudited)

Other Information (Unaudited)

The Annual General Meeting ("AGM") of the Company will be held on Tuesday, 10 December 2024 at 1.00pm The formal Notice of Meeting is set out on page 67.

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.

Ordinary business

Resolutions 1 to 12 are all ordinary resolutions. Resolution 1 is a required resolution. Resolution 2 invites shareholders to approve the final dividend. Resolution 3 concerns the Remuneration Report set out on pages 37 to 40. Resolutions 4 to 8 invite shareholders to elect or re-elect each of the Directors for another year, following the recommendations of the Nomination Committee, set out on pages 35 and 36 (their biographies are set out on pages 26 and 27). Resolutions 9 and 10 concern the re-appointment and remuneration of the Company's auditors, discussed in the Audit and Risk Committee Report on pages 31 to 33.

Special business

Resolution 11: Continuation (ordinary resolution)

In accordance with the Company's Articles of Association, the Directors are required to put forward a proposal for the continuation of the Company to shareholders at five yearly intervals. The Board considers that the long-term investment objectives of the Company remain appropriate and that the current Manager remains well placed to continue to deliver them over the long-term. An ordinary resolution will therefore be proposed at the AGM to agree that the Company should continue as an investment trust for a further five year period.

Resolution 12: Directors' authority to allot shares (ordinary resolution) and Resolution 13: power to disapply pre-emption rights (special resolution)

The Directors are seeking authority to allot a limited number of unissued ordinary shares for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures.

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £583,441 (being 5% of the issued share capital as at 25 September 2024, excluding any shares held in treasury). A special resolution will also be proposed to give the Directors authority to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £583,441 (being 5% of the Company's issued share capital as at 25 September 2024).

The Directors do not intend to allot shares pursuant to these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company's existing shareholders to do so and when it would not result in any dilution of NAV per share.

If approved, both of these authorities will expire at the conclusion of the AGM in 2025 unless renewed, varied or revoked earlier.

Resolution 14: Authority to make market purchases of the Company's own shares (special resolution)

At the AGM held on 5 December 2023, the Company was granted authority to make market purchases of up to 17,917,392 ordinary shares of 10p each for cancellation or to be held in treasury. As at 25 September 2024 2,425,617 shares have been bought back under this authority granted on 5 December 2023 and the Company therefore has remaining authority to purchase up to 15,491,775 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 NAV 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 as at the date of the Notice of the AGM. The Directors will exercise this authority only if the Directors 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 or held in treasury for potential reissue. If renewed, the authority to be given at the 2024 AGM will lapse at the conclusion of the AGM in 2025 unless renewed, varied or revoked earlier.

Resolution 15: Notice period for general meetings (special resolution)

Resolution 15 set out in the Notice of AGM is a special resolution and will, if passed, allow the Company to hold general meetings (other than AGMs) on a minimum notice period of 14 clear days, rather than 21 clear days as required by the Companies Act 2006. The approval will be effective until the Company's next AGM to be held in 2025. The Directors will only call general meetings on 14 clear days' notice when they consider it to be in the best interests of the Company's shareholders and will only do so if the Company offers facilities for all shareholders to vote by electronic means and when the matter needs to be dealt with expediently.

Resolution 16: Amendment of the Articles of Association (special resolution)

The Board is proposing to make an amendment to the Articles of Association. The proposed change is set out below:

Fees of non-executive Directors

The Board's existing aggregate level of Directors' fees is currently set at £200,000 per annum and it is proposed to increase this level to £250,000 per annum. The increase in aggregate fees would allow for interest rate fee increases, necessary appointments and appropriate succession planning.

Recommendations

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

Notice is hereby given that the Annual General Meeting of Schroder Japan Trust plc will be held on Tuesday, 10 December 2024 at 1.00pm at 1 London Wall Place, London EC2Y 5AU to consider the following resolutions of which resolutions 1 to 12 will be proposed as ordinary resolutions and resolutions 13 to 16 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 31 July 2024.
2. To approve a final dividend of 10.81p per share for the year ended 31 July 2024.
3. To approve the Directors' Remuneration Report for the year ended 31 July 2024.
4. To approve the re-election of Helena Coles as a Director of the Company.
5. To approve the re-election of Philip Kay as a Director of the Company.
6. To approve the re-election of Angus Macpherson as a Director of the Company.
7. To approve the election of Merryn Somerset Webb as a Director of the Company.
8. To approve the election of Samantha Wren as a Director of the Company.
9. To re-appoint Deloitte LLP as auditors to the Company.
10. To authorise the Directors to determine the remuneration of Deloitte LLP as auditors to the Company.
11. To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

    "THAT in accordance with the Articles of Association, the Company should continue as an investment trust for a further five years."
12. To consider, and if thought fit, pass the following resolution as an ordinary resolution:

    "THAT in substitution for all existing authorities the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £583,441 (being 5% of the issued ordinary share capital, excluding shares held in treasury, as at 25 September 2024) for a period expiring (unless previously renewed, varied or revoked by the Company in a general meeting) at the conclusion of the next Annual General Meeting of the Company, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement."
13. To consider and, if thought fit, to pass the following resolution as a special resolution:

    "THAT, subject to the passing of Resolution 12 set out above, the Directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in treasury) (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 12 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act 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 £583,441 (representing 5% of the aggregate nominal amount of the share capital in issue as at 25 September 2024); and provided that this power shall expire at the conclusion 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."
14. 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 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 10p each in the capital of the Company ("Share") at whatever discount the prevailing market price represents to the prevailing net asset value per Share provided that:

    (a) the maximum number of Shares which may be purchased is 17,491,548, representing 14.99% of the Company's issued ordinary share capital as at 25 September 2024 (excluding treasury shares);

    (b) the maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of;

    i) 105% of the average of the middle market quotations for the Shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and

    ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;

    (c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 10p, being the nominal value per Share;

    (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2025 (unless previously renewed, varied or revoked by the Company prior to such date);

    (e) the Company may make a contract to purchase Shares under the authority hereby conferred 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; and

    (f) any Shares so purchased will be cancelled or held in treasury."
15. To consider and, if thought fit, to pass the following resolution as a special resolution:

    "THAT a general meeting, other than an Annual General Meeting, may be called on no less than 14 clear days' notice."
16. To consider and, if thought fit, to pass the following resolution as a special resolution:

    "THAT the amended Articles of Association as set out in the printed document produced to the meeting (and initialled by the Chairman of the meeting for the purposes of identification) be and are hereby approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, all existing Articles of Association.

By order of the Board

Schroder Investment Management Limited
Company Secretary

25 September 2024

Registered Office:

1 London Wall Place,
London EC2Y 5AU

Registered Number: 02930057

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 attached. 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 +44(0) 121 415 0207, 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. 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 online by going to Equiniti's Shareview website, http://www.shareview.co.uk, and logging in to your Shareview Portfolio. Once you have logged in, simply click 'View' on the 'My Investments' page and then click on the link to vote and follow the on-screen instructions. If you have not yet registered for a Shareview Portfolio, go to http://www.shareview.co.uk and enter the requested information. It is important that you register for a Shareview Portfolio with enough time to complete the registration and authentication processes. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 1.00pm on Friday 6th December 2024. If you have any difficulties with online voting, you should contact the shareholder helpline on +44(0) 121 415 0207.

   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 Annual General Meeting.

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 business at 6.30 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 6.30 p.m. on 6 December 2024 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. If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 1.00p.m. on Friday, 6th December 2024 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them, and they will govern the electronic appointment of your proxy.

6. 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.

7. The biographies of the Directors offering themselves for election and re-election are set out on pages 26 and 27 of the Company's annual report and financial statements for the year ended 31 July 2024.

8. As at 25 September 2024, 118,453,286 ordinary shares of 10 pence each were in issue (1,765,177 shares were held in treasury). Therefore the total number of voting rights of the Company as at 25 September 2024 was 116,688,109.

9. 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 from the Company's webpages, https://www.schroders.com/japantrust.

10. 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 Annual General Meeting 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.

11. The Company's privacy policy is available on its webpages. https://www.schroders.com/japantrust. Shareholders can contact Equiniti for details of how Equiniti processes their personal information as part of the AGM.

The terms and performance measures below are those commonly used by investment companies to assess values, investment performance and operating costs. Numerical calculations are given where relevant. Some of the financial measures below are classified as APMs as defined by the European Securities and Markets Authority. Under this definition, APMs include a financial measure of historical financial performance or financial position, other than a financial measure defined or specified in the applicable financial reporting framework. APMs have been marked with an asterisk.

Net asset value ("NAV") per share

The NAV per share of 298.88p (31 July 2023: 252.25p) represents the net assets attributable to equity shareholders of £350,888,000 (31 July 2023: £302,460,000) divided by the number of shares in issue of 117,400,528 (31 July 2023: 119,903,965).

The change in the NAV amounted to +18.5% (year ended 31 July 2023: +9.4%) over the year. However, this performance measure excludes the positive impact of dividends paid out by the Company during the year. When these dividends are factored into the calculation, the resulting performance measure is termed the "total return". Total return calculations and definitions are given below.

Total return*

The combined effect of any dividends paid, together with the rise or fall in the share price or NAV per share. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either the assets of the Company at its NAV per share at the time the shares were quoted ex-dividend (to calculate the NAV per share total return) or in additional shares of the Company (to calculate the share price total return).

The NAV total return for the period ended 31 July 2024 is calculated as follows:

Opening NAV at 31/7/23	252.25p
Closing NAV at 31/7/24	298.88p

Dividend received	XD date	NAV on XD date	Factor
5.4p	2/11/23	250.95p	1.022
NAV total return, being the closing NAV, multiplied by the factor, expressed as a percentage change in the opening NAV:			21.0%

The NAV total return for the year ended 31 July 2023 is calculated as follows:

Opening NAV at 31/7/22	230.68p
Closing NAV at 31/7/23	252.25p

Dividend received	XD date	NAV on XD date	Factor
4.9p	3/11/22	228.35p	1.021
NAV total return, being the closing NAV, multiplied by the factor, expressed as a percentage change in the opening NAV:			+11.7%

The share price total return for the year ended 31 July 2024 is calculated as follows:

Opening share price at 31/7/23	234.00p
Closing share price at 31/7/24	266.00p

Dividend received	XD date	Share price on XD date	Factor
5.4p	2/11/23	230.00p	1.022
Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage change in the opening share price:			16.1%

Share price total return for the year ended 31 December 2023 is calculated as follows:

Opening share price at 31/7/22	202.00p
Closing share price at 31/7/23	234.00p

Dividend received	XD date	Share price on XD date	Factor
4.9p	3/11/22	200.50p	1.024
Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage change in the opening share price:			+18.7%

Benchmark

The measure against which the Company compares its performance. The Benchmark is now named Tokyo Stock Price Index Total Return since April 4, 2022, previously known as TSE First Section Total Return Index.

Discount/premium*

The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. If shares are trading at a discount, investors would be paying less than the value attributable to the shares by reference to the underlying assets. A premium or discount is generally the consequence of supply and demand for the shares on the stock market. The discount or premium is expressed as a percentage of the NAV per share. The discount at the year end amounted to 11.0% (31 July 2023: 7.2%), as the closing share price at 266.00p (31 July 2023: 234.00p) was 11.0% (31 July 2023: 7.2%) lower than the closing NAV of 298.88p (31 July 2023: 252.25p).

Gearing*

The gross gearing percentage reflects the portfolio exposure to the market but will not exceed 125% of net asset value. Gross gearing is defined as the amount by which portfolio exposure exceeds the net asset values expressed as percentages of net asset value.

	2024	2024	2023	2023
	Portfolio exposure		Portfolio exposure	
	£'000	%	£'000	%
Investments	**353,898**	**100.9**	–	–
CFDs	**48,694**	**13.9**	–	–
Total Portfolio exposures	**402,592**	**114.8**	–	–
Net assets	**350,888**			
Gross gearing		**14.8**		

Before the change investment policy the net gearing percentage reflected the amount of borrowings (i.e. bank loans or overdrafts) which the Company has drawn down and invested in the market. This figure is indicative of the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. Net gearing is defined as: borrowings used for investment purposes, less cash, expressed as a percentage of net assets. The gearing figure at the relevant year end is calculated as follows:

	2024 £'000	2023 £'000
Borrowings used for investment purposes, less cash	**3,491**	28,740
Net assets	**350,888**	302,460
Net gearing	**1.0%**	9.5%

Leverage*

For the purpose of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as the ratio of the Company's exposure to its net asset value and is required to be calculated both on a "Gross" and a "Commitment" method. Under the Gross method, exposure represents the sum of the absolute values of all positions, so as to give an indication of overall exposure. Under the Commitment method, exposure is calculated in a similar way, but after netting off hedges which satisfy certain strict criteria.

The Company's leverage policy and details of its leverage ratio calculation and exposure limits as required by the AIFM Directive are published on the Company's webpages and within this report. The Company is also required to publish periodically its actual leverage exposures. As at 31 July 2024 these were:

Leverage exposure	Maximum ratio	Actual ratio
Gross method	200.0%	114.8%
Commitment method	200.0%	114.8%

Ongoing Charges*

Ongoing Charges is calculated in accordance with the AIC's recommended methodology and represents the management fee and all other operating expenses excluding finance costs and transaction costs, amounting to £3,064,000 (31 July 2023: £2,676,000), expressed as a percentage of the average daily "net asset values" during the year of £320.9 million (31 July 2023: £286.2 million).

*Alternative performance Measures ("APMs").

Web pages and share price information

The Company has dedicated webpages, which may be found at https://www.schroders.com/japantrust. The webpages have been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's ordinary share price and copies of annual reports 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 webpages contain 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".

The Company releases its NAV on both a cum and ex-income basis to the market on a daily basis.

Share price information may also be found in the Financial Times and on the Company's webpages.

Association of Investment Companies

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

Individual Savings Account ("ISA") status

The Company's shares are eligible for stocks and shares ISAs.

Non-Mainstream Pooled Investments status

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

Financial calendar

Half year results announced	March
Financial year end	31 July
Annual results announced	September
Final dividend paid	December
Annual General Meeting	December

Alternative Investment Fund Managers ("AIFM") Directive

Certain pre-sale, regular and periodic disclosures required by the AIFM Directive may be found either in this annual report or on the Company's webpages.

The Company's leverage policy and details of limits on leverage required under the AIFM Directive are published on the Company's webpages.

Illiquid assets

As at the date of this report, none of the Company's assets are subject to special arrangements arising from their illiquid nature.

Remuneration disclosures

Quantitative remuneration disclosures to be made in this annual report in accordance with FCA Handbook rule FUND3.3.5 may also be found in the AIFM's website www.schroders.com/rem-disclosures, which will have the information for the reporting period 31 December 2023.

Publication of Key Information Document ("KID") by the AIFM

Pursuant to the Packaged Retail and Insurance Based Products ("PRIIPs") Regulation, the Manager, as the Company's AIFM, is required to publish a short KID on the Company. KIDs are designed to provide certain prescribed information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID is available on its webpages.

Warning to shareholders

Companies are aware that their shareholders have received unsolicited telephone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares or investments.

These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive.

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FCA before getting involved by visiting https://register.fca.org.uk.
- Report the matter to the FCA by calling 0800 111 6768 or visiting www.fca.org.uk/consumers/report-scam-unauthorised- firm.
- Do not deal with any firm that you are unsure about.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme.

The FCA provides a list of unauthorised firms of which it is aware, which can be accessed at https://www.fca.org.uk/consumers/unauthorised-firms-individuals#list.

More detailed information on this or similar activity can be found on the FCA website at https://www.fca.org.uk/consumers/protect-yourself-scams.

Dividends

Paying dividends into a bank or building society account helps reduce the risk of fraud and will provide you with quicker access to your funds than payment by cheque.

Applications for an electronic mandate can be made by contacting the Registrar, Equiniti.

This is the most secure and efficient method of payment and ensures that you receive any dividends promptly.

If you do not have a UK bank or building society account, please contact Equiniti for details of their overseas payment service.

Further information can be found at www.shareview.co.uk, including how to register with Shareview Portfolio and manage your shareholding online.

www.schroders.com/japantrust

Directors

Philip Kay (Chairman)
Helena Coles
Alan Gibbs
Angus Macpherson
Merryn Somerset Webb
Samantha Wren

Registered Office

1 London Wall Place
London EC2Y 5AU
Tel: +44 (0) 20 7658 6000

Advisers and service providers

Alternative Investment Fund Manager (the "Manager")

Schroder Unit Trusts Limited
1 London Wall Place
London EC2Y 5AU

Investment Manager and Company Secretary

Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU
Email: amcompanysecretary@schroders.com

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lending bank

SMBC Bank International plc
99 Queen Victoria Street
London EC4V 4EH

Corporate broker

J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Independent auditor

Deloitte LLP
2 New Street Square
London EC4A 3BZ

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder helpline: 0121-415-0207
Website: www.shareview.co.uk

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 the address above.

Other information

Shareholder enquiries

General enquiries about the Company should be addressed to the Company Secretary at the Company's registered office.

Company number

02930057

Dealing codes

ISIN Number: GB0008022849
SEDOL Number: 0802284
Ticker: SJG

Global Intermediary Identification Number (GIIN)

7T0909.99999.SL.826

Legal Entity Identifier (LEI)

549300SSPK3AXNJOC673

Privacy notice

The Company's privacy notice is available on its webpages.

Schroder Investment Management Limited
1 London Wall Place, London EC2Y 5AU, United Kingdom
T +44 (0) 20 7658 6000

schroders.com
@schroders