Company number 2885584

FIDELITY JAPANESE VALUES PLC

Annual Report for the year ended

31 December

2004

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COMPANIES HOUSE 14/04/05

Company Summary

as at 31 December 2004

Investment objective	To achieve long-term capital growth from an actively managed portfolio of securities primarily of small and medium-sized Japanese companies listed or traded on Japanese stockmarkets. (Past performance is not a guide to future returns)
Benchmark	Russell Nomura Mid/Small Cap Index
Management company	Fidelity Investments International
Total assets employed	£86.1m
Shareholders' funds	£70.0m
Market capitalisation	£60.6m
Capital structure	ordinary shares of 25p — 98,207,453 in issue warrants — nil – all warrrants exercised or lapsed
Continuation vote	Annual General Meeting in 2007 and every three years thereafter
Management & secretarial fee	Fidelity provides management, accounting, administrative and secretarial services to the Company under an agreement entered into on 22 February 1994, further details of which may be found on page 24.
Membership of AITC	The Company is a member of the AITC under the Japanese Smaller Companies Sector.
Investment trust status	The Inland Revenue has granted the Company approval as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 December 2002 and provisional approval for the year ended 31 December 2003. The Directors are of the opinion that, since that date, the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under that section.
ISA status	Investment limit £7,000 in the 2004/2005 and 2005/2006 tax years.

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Summary of Results

	2004	2003	% change
Assets at 31 December			
Total assets employed	**£86.05m**	£76.00m	**+13.2%**
Shareholders' funds	**£69.98m**	£59.34m	**+17.9%**
Borrowings as % of shareholders' funds	**23.0%**	28.1%	
Borrowings less cash as % of shareholders' funds	**22.0%**	22.6%	
Net asset value per share (NAV)	**71.26p**	60.42p	**+17.9%**
Results for year to 31 December - see page 28			
Capital gain before realisation of the warrant reserve per ordinary share	**11.73p**	18.25p	
Capital gain after realisation of the warrant reserve per ordinary share	**22.11p**	18.25p	
Revenue loss per ordinary share	**(0.89p)**	(0.65p)	
Stockmarket Data at 31 December			
Russell Nomura Mid/Small Cap Index†	**1.612**	1.452	**+11.0%**
Yen/£ exchange rate	**197.87**	190.81	**-3.7%**
Share price — year end	**61.75p**	51.00p	**+21.1%**
high	**74.75p**	61.00p	
low	**51.00p**	31.75p	
Discount — year end	**13.3%**	15.6%	
low	**4.0%**	5.8%	
high	**15.7%**	22.1%	
Warrant price — year end*	**n/a**	0.35p	**n/a**
Returns for the year to 31 December (%)			
Russell Nomura Mid/Small Cap Index†	**+11.0%**	+32.7%	
NAV	**+17.9%**	+41.1%	
Share price	**+21.1%**	+45.7%	
Total Expense Ratio#			
Shareholders' funds	**1.83%**	1.93%	

† sterling adjusted

* all warrants now exercised or lapsed (1,200 exercised with effect from 30 April 2004 and the remaining 20,395,347 warrants lapsed on 30 April 2004)

operating expenses (excluding interest before tax) based on average daily shareholders' funds

Standardised performance

	1 January 2000 to 31 December 2000	1 January 2001 to 31 December 2001	1 January 2002 to 31 December 2002	1 January 2003 to 31 December 2003	1 January 2004 to 31 December 2004
NAV (debt at par)	-60.5%	-23.9%	-19.4%	+41.1%	+17.9%
Share price	-60.6%	-35.3%	-15.2%	+45.7%	+21.1%

(Past performance is not a guide to future returns)

Summary of Performance

Historical Record as at 31 December	**2004**	2003	2002	2001	2000	1999	1998	1997	1996	1995
Total assets employed (£m)	**86**	76	59	71	100	215	59	48	72	93
Shareholders' funds (£m)	**70**	59	42	54	73	186	42	33	56	84
NAV per share	**71.26p**	60.42p	42.82p	53.12p	69.81p	176.88p	40.20p	31.48p	53.12p	79.54p
Share price	**61.75p**	51.00p	35.00p	41.25p	63.75p	161.75p	28.75p	26.50p	47.25p	75.00p
Warrant price	**n/a**	0.35p	1.50p	7.50p	14.25p	82.50p	4.75p	6.50p	11.25p	28.00p
Discount to NAV	**13.3%**	15.6%	18.3%	22.3%	8.7%	1.4%	28.5%	15.8%	11.1%	5.7%
Basic earnings per ordinary share	**(0.89p)**	(0.65p)	(0.69p)	(1.22p)	(2.01p)	(1.64p)	(0.65p)	(0.66p)	(0.99p)	0.17p
Dividend per ordinary share	**nil**	nil	nil	nil	nil	nil	nil	nil	nil	0.10p
Cost of running trust (total expense ratio*)	**1.83%**	1.93%	1.63%	1.93%	1.52%	1.50%	1.88%	1.66%	1.45%	1.34%
Actual gearing ratio	**22.0%**	22.6%	32.6%	28.2%	28.3%	11.6%	23.9%	24.5%	17.1%	9.9%
NAV	**+17.9%**	+41.1%	-19.4%	-23.9%	-60.5%	+340.0%	+27.7%	-40.7%	-33.2%	-7.1%
Share price performance	**+21.1%**	+45.7%	-15.2%	-35.3%	-60.6%	+462.6%	+8.5%	-43.9%	-37.0%	-10.2%

Performance
from launch to 31 December 2004

Performance relative to the Index
from launch to 31 December 2004

Share price and NAV
from launch to 31 December 2004

Share price discount to NAV
from launch to 31 December 2004

* operating expenses (excluding interest before tax) based on average daily shareholders' funds

Board of Directors

William Thomson† (Chairman) (age 64, date of appointment: 1 May 1997, date of appointment as Chairman: 31 December 2004) is Chairman of E G Thomson (Holdings) Limited. This business is primarily involved in the provision of shipping agency services in Asia and in international logistics management. He is also non-executive Chairman of John Menzies plc and British Assets Trust plc and a non-executive director of several companies including Dobbies Garden Centres plc.

Philip Kay* (age 49, date of appointment: 29 October 2004) is a former Managing Director and Senior Advisor of Credit Suisse First Boston where he ran the global Japanese cash equity business. He is a director of a Japanese hedge fund, Akamatsu Fund, and was previously a director of Schroder Securities Limited and of Smith New Court PLC.

Nicholas Barber, CBE (Senior Independent Director)* (age 64, date of appointment: 4 December 2000, date of appointment as Senior Independent Director: 10 March 2005) is Chairman of Bolero International Limited and Kappa IT Ventures (GP) Limited. His other directorships include The Maersk Co. His executive career was with Ocean Group plc (now Exel PLC), with whom he spent a year in Japan; he was Group Chief Executive from 1986 to 1994.

David Miller, OBE* (age 58, date of appointment: 29 October 2004) is a director of FBG Investment Limited and non-executive director of Humberts Leisure Limited. He was with Robert Fleming Group from 1972 to 1991, was resident in Japan for nearly eight years and was head of the Fleming group's Tokyo office.

Simon Fraser# (age 45, date of appointment: 11 May 2000) is Chief Investment Officer of Fidelity International Limited. He started his career at Fidelity in 1981 as an analyst and he has spent a number of years in Japan, most recently as Chief Investment Officer for the Asia/Pacific region. He returned to the UK in 1999 to take up his current position. He was also the Portfolio Manager for Fidelity Japanese Values PLC from its launch in 1994 until August 1997. He is also a director of Fidelity European Values PLC.

The Rt Hon Sir John Stanley, MP* (age 63, date of appointment: 10 February 1994) is currently a member of the House of Commons Select Committee on Foreign Affairs and a Vice-Chairman of the Britain-Japan Parliamentary Group. He is a consultant to Fidelity Investment Management Limited and is a non-executive director of Henderson High Income Trust PLC. He is a member of the AITC Representative Committee.

All of the Directors are non-executive and, with the exception of Simon Fraser and Sir John Stanley, are independent.

† Chairman of the Audit, Management Engagement and Nomination and Remuneration Committees
* member of the Audit, Management Engagement and Nomination and Remuneration Committees
# member of the Nomination and Remuneration Committee

Chairman's Statement

William Thomson
Chairman

The Year's Results: NAV 71.26p (+17.9%)

The Share Price and the Discount:

Price:	61.75p (+10.75p; +21.1%)
Discount:	13.3% (15.6% in 2003)

Performance Review – I can confirm that, as mentioned by my predecessor last year, it is our primary objective to make money for our shareholders and further it is a secondary and not unimportant objective that we do better than the market. I am pleased to report that we have achieved both objectives this year with the net asset value of the Company rising by 17.9%, outperforming the broader market Topix Index (+7.4%) as well as the Russell Nomura Mid/Small Cap Index (+11.0%) which is our benchmark index of midsmall cap stocks; the Company's share price rose by over 21% in the year.

Individual stock selection in the information & communication, retail, and service sectors contributed to the Company's returns, although this was somewhat offset by the below par performance of stocks of technology manufacturers and materials suppliers which cater for digital consumer electronics.

Market Review – Despite periods of sharp volatility, Japanese equities rose over the year. The major benchmark indices generated their first consecutive annual gains in almost a decade.

In 2004, market sentiment was mixed. Further evidence that Japan was making progress towards the final resolution of structural problems, such as excess capacity, excess debt and low returns on capital, emerged during the period. However, concerns that surging oil prices and monetary tightening in the US and China could decelerate global economic growth continued to limit stock market gains.

Attribution Analysis
for the year to 31 December 2004

Net Asset Value @ 31 December 2003	**60.4p**	
Impact of the index (in yen terms)	+8.4p	+13.9%
Impact of stock selection (in yen terms)	+3.4p	+5.0%
Impact of currency	-2.6p	-3.7%
Impact of gearing (in yen terms)	+3.1p	+4.7%
Impact of other costs	-1.4p	-2.0%
Net Asset Value @ 31 December 2004	**71.3p**	**+17.9%**

Please note that past performance is not a guide to future returns. The value of investments can go down as well as up, and may be affected by exchange rate fluctuations.

Market performance was led by basic materials sectors including rubber products, iron & steel, and oil & coal products due to strong commodity prices. Japanese banks also performed strongly as they made significant progress in eliminating bad debts and their earnings prospects improved. Increased newsflow about industry consolidation in the banking and other financial service sectors provided an additional boost for banks and consumer credit companies. On the other hand, weaker earnings growth at US technology companies continued to weigh on the performance of Japanese technology related stocks.

Smaller companies continued to outperform their larger counterparts in 2004, narrowing the valuation gap between big and small firms.

Directors' Remuneration – In recent years there has been a considerable increase in the regulatory, governance and other requirements to which non-executive directors are subject. This upward trend is expected to continue in the future. The Board has taken note of this fact and of the requirement to recruit new Directors. A new basis for fees has been established with effect from 1 July 2004 and full details of this are set out in the Directors' remuneration report on page 26. As a result of this fees have been increased to £25,000 (previously £15,000) per annum for the Chairman and £16,000 (previously £10,000) per annum for Directors. In establishing these new levels independent advice was taken.

Chairman's Statement

The Board – As a result of the amendments to the Listing Rules which are due to come into effect on 1 April 2005, there have been a number of changes to the Board during the year. As mentioned in last year's Chairman's statement Alex Hammond-Chambers retired as Chairman and Director of the Company on 31 December 2004. Alex had been a Director of the Company since its launch in 1994 and Chairman since 1997 and his devotion to the best interests of the Company and its shareholders was remarkable. He will be a hard act to follow. Sir John Stanley will retire as a Director of the Company on 31 March 2005 and, like Alex, John has been a Director since the launch of the Company and his challenging and thought provoking contributions have always been extremely valuable. They will both be sadly missed.

Philip Kay and David Miller were appointed to the Board during the year. Both have considerable experience of investment in Japan and I am sure that you will join me in welcoming them to the Board. As required by company law both Philip and David will be seeking election by shareholders at the forthcoming Annual General Meeting.

Nicholas Barber, who has served as a Director of the Company since December 2000, was appointed as the Company's Senior Independent Director on 10 March 2005.

Gearing – The Company took the decision to refinance both of the Company's loans which fell due for repayment during the year to 31 December 2004. These decisions were taken after considerable discussion on the Company's level of gearing and the prospects for Japan and Japanese smaller companies. It was generally agreed that there had been a number of beneficial structural changes in corporate Japan and that there were reasonable grounds for optimism about earnings growth and the prospects for Japanese smaller companies.

The Company's level of net gearing is now 20% and the Board has instigated a policy that it will in normal circumstances maintain its net gearing level at below 30%.

In the year to 31 December 2004 the Company's gearing contributed approximately 3 pence (5%) to the Company's NAV.

Share Buybacks – Purchases of shares for cancellation are made at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Share repurchases will only be made when they will result in an enhancement to NAV for the remaining shareholders. In recent years share repurchases have been used sparingly due to their impact on liquidity and gearing and no repurchases were made in the year to 31 December 2004. The Board continues to believe that the ability to repurchase shares is a valuable tool and therefore a resolution to renew the Company's authority to repurchase shares will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting: 10 May 2005

The Annual General Meeting will be held at midday on 10 May 2005 at Fidelity's offices at 25 Cannon Street in the City of London and all investors are encouraged to attend. It is the one occasion in the year when shareholders can meet all of the Directors as well as the Investment Manager, Asako Kibe. You may have questions, comments or suggestions which we would welcome and which all shareholders should have the benefit of hearing. Following the meeting Asako Kibe will give a presentation on the past year and the prospects for the current year.

The Market and Outlook

Over recent years there have been a number of false dawns in respect of the recovery of the Japanese market, so it may be premature to be too optimistic, however there are a number of straws in the wind which may herald an improvement in the underlying situation. On the one hand, equities are likely to remain sensitive to sharp movements in oil prices and the ¥/US$ exchange rate. Disappointing economic data from the US could also unnerve investors. Consensus opinion indicates that Japan's economy is likely to slow through the first half of 2005, reflecting adjustments to exports and production.

On the other hand however, there are a number of factors that suggest that the decline in the rate of growth will not be as steep as in previous downturns. Firstly, the decline in IT-related demand should be relatively minor. Secondly, capital expenditure in the non-manufacturing sector appears to have bottomed. Thirdly, there is little likelihood of a bubble or financial crisis. Fourthly, spending by elderly people is supporting personal consumption. Finally, aggregate inventories remain at historically low levels.

Against this economic background, corporate fundamentals continue to improve and should act as a buffer against any significant downward momentum. For the 2004/05 financial year, Japanese companies (Topix excluding financials) are forecasting a 5.2% year-on-year increase in sales and a 22.7% year-on-year increase in recurring profits. The same firms estimate a reasonably positive outlook for the financial year to 31 March 2006 as well. Valuations of Japanese shares (Topix excluding financials) look reasonably attractive, with the forward price-to-earnings ratio standing at around 16x – the lowest level in 30 years.

Looking forward, there are a number of reasons to be upbeat about the prospects for corporate Japan through 2005 and beyond. Many companies have already started to revise the book value of their assets ahead of the introduction of mandatory asset-impairment accounting in the 2005/06 financial year thus providing more realistic balance sheets. The Industrial Revitalisation Corp. of Japan (a government-backed rehabilitation agency), which in December arranged a bailout plan for the struggling retailer Daiei, should play an increasingly important role in the restructuring of indebted firms and elimination of banks' non-performing loans. Furthermore, the legalisation of international acquisitions funded by stock in 2005 will force Japanese companies to pay more attention to shareholder value and the effective utilisation of free cashflow.

These factors in particular should enable Japan to take a significant step towards resolving its post-bubble economic problems of the 1990s. The removal of idle assets and delinquent borrowers from companies' and banks' balance sheets hopefully should pave the way towards an end to deflation and a normalisation of the business cycle.

William Thomson
Chairman
10 March 2005

Investment Manager

Fidelity's Offices at 25 Cannon Street, London.

Fidelity Investments International

The Company is managed by Fidelity Investments International (authorised and regulated by the Financial Services Authority). Fidelity Investments International is part of the Fidelity International Limited group. Fidelity International Limited and its US affiliate, FMR Corp, together form what is commonly referred to as Fidelity Investments®. Fidelity Investments®, as at 31 December 2004 had total assets under management exceeding £670 billion. Fidelity Investments® has developed into the world's largest independent investment management organisation.

Asako Kibe (age 48)

Asako Kibe is a fund manager with Fidelity Investments Japan Limited based in Tokyo. She joined Fidelity in 1981 as an equity research analyst having attained a Bachelor of Arts from the University of Hawaii. Asako manages two other Fidelity funds that invest in Japan; Fidelity Japan Special Situations Fund and Fidelity Funds Japan Smaller Companies Fund.

Investment Manager's Report

Performance Review – As shown in the Summary of Results on page 3, the net asset value of the Company returned 17.9%, compared with the Tokyo Stock Exchange First Section Index ("TSE 1"), which returned 7.4%, and the Russell Nomura Mid/Small Index, which returned 11.0% (all figures in sterling terms).

Performance
for the year to 31 December 2004

Despite periods of sharp volatility, Japanese equities rose over the period under review. While there was evidence that Japan was making progress towards the final resolution of structural problems, such as excess capacity, excess debt and low returns on capital, concerns that surging oil prices and monetary tightening in the US and China could decelerate global economic growth weighed heavily on investor sentiment. Since July 2004, the dip in confidence has also permeated smaller companies as investors have started to question the sustainability of the rally. Despite the downturn in the second half of 2004, smaller companies outperformed their larger counterparts during the period under review, reflecting in part the elimination of a valuation gap between these companies.

Market performance during the review period was led by oil and mining stocks as a result of strong commodity prices. IPO stocks also performed very well in the smaller company universe, as individual investors seeking capital gains actively traded such stocks. On the other hand, the weaker earnings growth of US technology companies continued to weigh on the performance of Japanese technology related stocks.

Portfolio Review – The dominant source of the Company's performance was stock selection in the information & communication sector. In this sector, the Company's holdings in software developers and providers of internet contents, namely Global Media Online, Otsuka and Sammy Networks, added value. The share price of Global Media Online, a fast growing provider of internet infrastructure and advertising services, has risen strongly for two consecutive years and contributed to performance. Otsuka, a vendor of IT related services and equipment, has benefited from increased capital spending on IT infrastructure by small to medium sized companies. Sammy Networks, which provides internet contents such as games, music and entertainment news for users accessing the internet through cellular phones, was purchased during its IPO. The company's share price subsequently rose as a result of strong earnings growth momentum.

Stock selection was also successful in the retail trade and services sectors. In the retail trade sector, the largest contributors to performance included Ninety-Nine Plus (discount grocery retailer), Karula (a restaurant chain operator), Ryohin Keikaku (retail-wholesaler of "Muji" brand goods) and Honeys (clothing retailer). In the services sector, holdings in emerging companies with new business models enjoyed healthy returns and contributed to performance. Such examples included Cyber Agent (internet advertisement agency), Riso Kyoiku (provider of education services for elementary to high school students) and Rakuten (internet online shopping mall operator).

However, the portfolio's relatively large exposure to technology manufacturers and material producers catering for flat panel displays, cellular phones and digital cameras reduced the degree of positive returns. The single largest stock detractor was Fujikura, which makes flexible printed circuit boards used primarily in digital cameras and cellular phones. The company's share price plummeted as investors became concerned about inventory adjustments by mobile-phone makers. Chiyoda Integre, which makes miscellaneous electronic parts used for OA equipment and digital consumer electronics, was also among the largest detractors; its share price fell due to fears about slowing earnings momentum. The share price of Wintest, which produces testing devices for flat panel displays, declined due to a slowdown in global production of flat panel displays.

One of the main changes to the portfolio's sector positioning in 2004 was an increase in exposure to the glass and ceramic products sector. At the end of the review period, the largest position within the sector, relative to the benchmark index, was Nippon Electric Glass ("NEG"). A volume increase in demand for precision sheet glass used for liquid crystal displays ("LCDs") is expected to drive NEG's mid to long term earnings growth. Shares in Tokai Carbon were added to the portfolio during the year. The company produces carbon black for a wide range of industrial products including tyres and other rubber parts for automobiles, electrodes for steel furnaces and fine carbon for electronic parts and semiconductors. The company's earnings momentum is accelerating thanks to strong demand from Asian countries. Asahi Glass was another stock added to the portfolio during 2004. In common with NEG, Asahi's current growth driver is LCD glass.

In absolute and relative terms, the largest shift in sector positioning occurred in the retail trade sector. We reduced the number of holdings in the sector and concentrated on those names in which we had the highest conviction. During the year, we increased the size of the portfolio's holding in Ryohin Keikaku, which sells "Muji" brand goods including furniture, apparel, foods and other household items. The company represents a turnaround situation as it has successfully implemented its business revival programme and increased gross margins by enhancing inventory control and launching new products. On the other hand, the Company's position in Lawson, a convenience store chain operator was eliminated. The company's earnings recovery, as a result of corporate restructuring, had been fully recognised in its share price valuations.

Another significant shift in sector exposure occurred in the iron & steel sector. We reduced exposure to the sector after taking profits in Pacific Metals, which has seen its share price quadruple over the last two years.

The Company's exposure to the services sector remained relatively large, compared to the benchmark index, over the year under review. We retained the significant weighting in HIS, Japan's third largest travel agency, which has enjoyed strong recovery in travel demand since the end of the Iraq war and the SARS scares in 2003. Other large positions maintained throughout the year included Fullcast and USS. Fullcast is a fast-growing outsourcing service provider that is enjoying increasing demand for contract workers from the manufacturing sector, while USS is a used car auctioneer that is increasing its market share at the expense of the smaller auto-auction rivals. The company is well positioned to benefit from the rapid expansion of the used car auction market in Japan.

Portfolio Breakdown by Market*
as at 31 December 2004

* total assets less current liabilities, excluding fixed term loan liabilities

The Company's exposure to the banking sector remained relatively low throughout the year. Although we selectively bought shares in regional banks and increased exposure to the sector in absolute terms, we still believe that there are few attractive investment opportunities among regional banks.

Outlook – As a number of leading indicators have weakened, Japan's economy appears set for a period of slower growth rather than a recession, given the deceleration in the US economic expansion, inventory adjustments in the IT sector and rising oil prices. However, the likelihood of a recession remains low as Japan's economy seems set to plateau through the remainder of the 2004/05 financial year.

Despite a near term lull in the economic cycle, we believe that corporate fundamentals continue to improve, as evidenced by

Investment Manager's Report

Japanese companies' historically low break even ratios, rising profit margins and their elimination of excess debt. Furthermore, improvements in corporate earnings and cashflow point towards healthy growth in capital spending.

In this environment, we continue to find attractive investment opportunities among medium sized and smaller companies through frequent company visits and the input of Fidelity's research team. Our approach to investing is to select companies on their individual merits. A fundamental analysis of each company's long term growth potential is critical in the stock selection process. Emphasis is placed on an analysis of a company's competitiveness and the attractiveness of its market niche. By using a bottom-up stock picking approach we try to identify reasonably valued shares of companies that are able to sustain their earnings potential over the long term.

Current investment themes include: turnaround situations as a result of corporate restructuring; organic earnings growth driven by new products and services; and fast growing new business models. Given increasing uncertainties about the global economic outlook, we favour companies whose growth is driven by domestic demand. The focus is shifting from cyclical stocks whose growth momentum could be slowing during the first half of 2005 to those that are capable of increasing their sales and profitability regardless of the macro economic cycle. These companies include those involved in e-commerce, entertainment and communication services.

We will also continue to look for interesting IPO opportunities. The number of medium sized and smaller companies in Japan is expanding rapidly with more than 170 initial public offerings in 2004. The expansion of the investment universe will continue to provide the Company with a number of investment opportunities in under researched names.

Fidelity Investments International
10 March 2005

Top 10 Contributors	Contribution Pence per share
Global Media Online Inc	0.57
Otsuka Corporation	0.30
Cyber Agent Ltd	0.23
SFCG Co Ltd	0.22
Kitz Corp	0.20
Fullcast Co	0.19
Riso Kyoiku Co Ltd	0.19
Ryohin Keikaku Co Ltd	0.18
Hamakyorex Co Ltd	0.17
Furusato Industries Ltd	0.14

Top 10 Detractors	Detraction Pence per share
Fujikura Ltd	0.14
Cross Plus Inc	0.13
Toyoda Gosei Co	0.12
Wintest Corp	0.12
Pacific Metals Co Ltd	0.11
Chiyoda Integre Co Ltd	0.11
Fujipream Corp	0.10
Disco Corp	0.09
Geomatec Co Ltd	0.08
Okamoto Glass Co Ltd	0.07

Portfolio Listing

as at 31 December 2004

Holding	Market Value £'000	% *
Otsuka Corporation *Designs, constructs and develops computer information systems and software*	1,995	2.3
Ryohin Keikaku Co Ltd *Retailer*	1,991	2.3
H.I.S. *Travel agency*	1,766	2.1
Hamakyorex Co Ltd *Provides trucking, warehouse and related services*	1,720	2.0
Fullcast Co *Provides personnel staffing services*	1,584	1.8
Kitz Corp *Manufactures industrial valves*	1,569	1.8
SFCG Co Ltd *Financial services provider*	1,514	1.8
USS *Manages used car auction facilities*	1,495	1.7
Nippon Electric Glass *Manufactures a wide range of glass related products*	1,456	1.7
Nexus *Sells mobile communication devices on commission*	1,427	1.7
Top 10 Holdings	**16,517**	**19.2**
Tokai Carbon *Produces carbon-based industrial products*	1,423	1.7
Fujikura Ltd *Manufactures and sells wires and cables*	1,324	1.5
Doshisha *Wholesaler handling a wide range of products*	1,323	1.5
Asahi Glass *Manufactures and sells glass products*	1,313	1.5
Sodick *Develops, manufactures and sells electric machines and equipment*	1,256	1.5
JSR *Manufactures synthetic rubber*	1,243	1.4
Foster Electric *Manufactures and sells electric products*	1,237	1.4
Ozeki *Operates a chain of supermarkets*	1,184	1.4
SMBC Friend Securities *Financial services provider*	1,167	1.4
OPT *Internet advertising agency*	1,150	1.4
Top 20 Holdings	**29,137**	**33.9**

* *% total assets less current liabilities, excluding fixed term loan liabilities*

Portfolio Listing

as at 31 December 2004

Holding	Market Value £'000	% *
Nissin *Consumer and business loan company*	1,126	1.3
Mitsui Trust Holdings *Financial services provider*	1,076	1.2
NOK *Manufactures oil seals and industrial rubber products for automobiles*	994	1.2
Rakuten *Media business company*	992	1.2
Disco Corp *Manufacturer of dicing saws for semi-conductors*	958	1.1
Nippon Mining Holdings *Provides non-ferrous metals, petroleum and electronic materials*	937	1.1
Kaga Electronics *Sells computers and computer related products*	895	1.0
Telewave *Distributes information and communication equipment*	895	1.0
Toyo Ink Manufacturing *Produces printing ink and printing related equipment*	876	1.0
Kadokawa Holdings *Publisher*	846	1.0
Citizen Electronics *Manufactures electronic products used for computers and office equipment*	846	1.0
Cross Plus Inc *Manufactures clothing*	836	1.0
Chiyoda Integre Co Ltd *Manufactures and markets electric and electronic components for audio visual products and office equipment*	833	1.0
Fujiya *Produces and sells Western cakes, candy, ice cream and pastry*	827	1.0
West Japan Railway *Provides rail transportation services*	820	0.9
Sumitomo Osaka Cement *Produces cement*	798	0.9
Fuji Seal *Manufactures various packaging related materials and machinery*	787	0.9
Shinko Elec Industries *Designs, manufactures and markets advanced electronic materials*	778	0.9
Riso Kyoiku Co Ltd *Operates private schools*	778	0.9
Hogy Medical *Manufactures and sells medical supplies and related products*	777	0.9
Cyber Agent *Internet advertising agency*	771	0.9
Furusato Industries Ltd *Distributes and manufactures structure support materials for steel frame buildings*	771	0.9
Yamato Transport *Provides door-to-door parcel delivery services*	753	0.9
JFE Shoji Holdings *Manages real estate businesses*	727	0.8
Sega Sammy Holdings *Develops and manufactures commercial-use video game machines and home use video game software*	708	0.8
Asahi Intecc *Manufactures medical tools*	687	0.8
Sumitomo Titanium *Produces and sells non-ferrous metals*	686	0.8
Nitto Kohki *Manufactures and sells fluid couplings, machine tools, linear motion pumps, robots, balancers and other industrial equipment*	684	0.8
Usen *Provides information/music broadcasting services*	684	0.8
Mitsui Fudosan *Real estate services provider*	673	0.8
Top 50 Holdings	**53,956**	**62.7**
Other Holdings (92)	**31,420**	**36.5**
	85,376	**99.2**
Cash & other net current assets	**674**	**0.8**
	86,050	**100.0**

* *% total assets less current liabilities, excluding fixed term loan liabilities*

Distribution of the Portfolio

as at 31 December 2004

Equities	2004 %*	2003 %*
Services	13.4	11.9
Wholesale Trade	11.9	4.9
Machinery	9.4	8.1
Electrical Machinery	8.8	11.1
Information and Communications	7.8	9.1
Retail Trade	7.4	13.2
Glass & Ceramic Products	5.8	0.8
Other Financing Business	5.1	3.1
Chemicals	4.8	4.4
Land Transportation	3.8	0.5
Banks	3.4	2.4
Securities	2.4	2.7
Non-ferrous Metals	2.3	2.6
Precision Instruments	2.2	1.5
Textiles & Apparel	1.9	3.0
Foods	1.8	0.4
Transport Equipment	1.7	2.9
Other Products	1.4	3.5
Oil & Coal products	1.1	-
Real Estate	1.0	1.6
Metal Products	0.8	0.4
Insurance	0.4	1.2
Warehousing and Harbour Transport Services	0.4	-
Pharmaceutical	0.2	1.4
Iron and Steel	-	3.1
Construction	-	0.6
Pulp & Paper	-	0.4
Rubber Products	-	0.4
Fisheries, Agriculture and Forestry	-	0.3
Electric Power and Gas	-	-
Miscellaneous Finance	-	-
Cash and other net current assets	0.8	4.5
Total	100.0	100.0

* total assets less current liabilities, excluding fixed term loan liabilities

The Directors have pleasure in presenting their report together with the audited accounts of the Company for the year ended 31 December 2004.

The Company was incorporated in England and Wales as a public limited company on 7 January 1994 under the name of Savemargin Public Limited Company with the registered number 2885584.

Activities and Status

A review of the year's activities and an indication of likely future developments are given in the Chairman's Statement on pages 6 to 8 and in the Investment Manager's Report on pages 10 to 12.

The Inland Revenue has approved the Company as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 December 2002 and has granted provisional approval for the year ended 31 December 2003, although this approval may be subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The Directors are of the opinion that the Company has subsequently conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under that section.

The Company is not a close company and has no employees. It is registered as an investment company as defined in Section 266 of the Companies Act 1985 and operates as such.

Net Asset Value

Investments were valued at £85,376,000 as at 31 December 2004. Shareholders' funds amounted to £69,984,000 resulting in a net asset value per share of 71.26p. Changes to investments are shown in note 8 to the accounts on page 34.

Results and Dividends

The revenue account shows a deficit after taxation for the year of £871,000 and therefore the Directors do not recommend the payment of a dividend and this amount has been charged to reserves.

Share Capital

On 30 April 2004 1,200 ordinary shares of 25p per share were issued and allotted, fully paid at a price of 100p per share, following an exercise of warrants. The Company appointed Capita IRG Trustees Limited as trustee to act on behalf of the holders of the 20,395,347 outstanding warrants. On 30 April 2004 the trustee confirmed that it had reviewed the options available and, as the price of the ordinary shares was below the subscription price, they would not exercise the warrants on behalf of the warrantholders and the warrants therefore expired unexercised.

At the Annual General Meeting held on 6 May 2004 the Company's shareholders passed a Special Resolution which granted the Directors authority to purchase up to 14,721,117 ordinary shares in the market for cancellation. No shares were repurchased for cancellation during the year and, as at 31 December 2004, the total number of shares in issue was 98,207,453 (2003: 98,206,253). The authority expires on 10 May 2005 and a Special Resolution to renew the authority will therefore be put to shareholders for approval at the forthcoming Annual General Meeting.

Warrants

No warrants were purchased for cancellation during the year (2003: nil).

As noted previously, all remaining warrants outstanding at the beginning of the year have now been exercised or have lapsed and, consequently, as at 31 December 2004, there were no warrants in issue (2003: 20,396,547).

Gearing

The Company entered into a loan agreement with The Royal Bank of Scotland plc on 10 August 2004 for an amount of ¥1,499,040,000 at a rate of 1.565% for a period of five years. The loan was drawn down on 13 August 2004.

On 19 November 2004 the Company entered into a loan facility with The Royal Bank of Scotland plc for an amount of ¥1,680,000,000 at a rate of 1.34% for a period of five years. The loan was drawn down on 25 November 2004.

Political and Charitable Donations

The Company has not made any political or charitable donations in the year (2003: nil).

Payment of Creditors

The Company's principal supplier is the Manager who is paid in the month following the end of each calendar quarter, in accordance with the terms of the Management Agreement. The Company's policy for the year to 31 December 2004 (2003: same) for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction to ensure that the supplier is aware of these terms and to abide by the agreed terms of payment. The Company did not have any trade creditors during the year (2003: nil).

Directors' Report

Management Company

A management and secretarial services agreement (the "Management Agreement") dated 22 February 1994 was made between the Company and Fidelity Investments International (the "Manager"), under which the Manager has agreed to provide investment management, administrative and secretarial services to the Company. Details of the agreement are set out in the Application of Corporate Governance on page 24.

The Manager also provides certain services, including marketing and administration, in connection with the Fidelity Investment Trust Share Plan, the Fidelity Investment Trust Personal Equity Plan and the Fidelity Individual Savings Account under an agreement dated 12 March 1996. Fees payable under this agreement for the year to 31 December 2004 were £66,705 (2003: £56,143).

An amount of £329,600 (2003: £290,800) was due to the Manager under the above agreements at 31 December 2004 and is included in creditors in note 10 on page 35.

The Manager uses certain services in the course of its work for the Company and other clients that are paid for or provided by brokers through whom the Manager executes transactions for the Company and other clients. The provision of such services to the Manager is governed by the rules of the Financial Services Authority. The Manager has in place procedures and controls in order to ensure compliance with those rules and the achievement of best execution when dealing on behalf of clients with brokers.

The Company participates in the Manager's interfund programme whereby Fidelity's traders, on occasion, identify situations where one fund managed by Fidelity is buying the same security that another fund is selling. If a trader can confirm that it would be in the interests of both accounts to execute a transaction between them rather than in the market then an interfund transaction is executed.

There is a regulatory requirement on the Manager to obtain best execution and no individual deal is entered into which prevents compliance with this requirement.

As at the date of this report Fidelity International Limited has an interest in 9,554,100 shares in the Company.

Directors

The Directors who served during the year to 31 December 2004 are set out in the table opposite.

Mr Philip Kay and Mr David Miller, OBE, having been appointed during the year, will be subject to election at the forthcoming Annual General Meeting. Following the amendment to the Listing Rules, Mr Simon Fraser, as an employee of the Manager, is subject to annual re-election.

Mr Nicholas Barber will retire by rotation and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

Sir John Stanley will retire as a Director on 31 March 2005.

Mr Simon Fraser is a director of Fidelity Investments International and Sir John Stanley is a consultant to Fidelity Investment Management Limited.

Mr Simon Fraser has waived his entitlement to Directors' fees.

No Director is under a contract of service with the Company and no contracts existed during or at the end of the financial period in which any Director was materially interested and which was significant in relation to the Company's business, except as disclosed above in relation to Mr Fraser's interest in the Management Agreement.There have been no other related party transactions requiring disclosure under Financial Reporting Standard ("FRS") 8.

The interests of the Directors in the ordinary shares and warrants of the Company as at 31 December 2004 and 31 December 2003 were as follows:

	31 December 2004 shares	31 December 2003 shares	31 December 2003 warrants
Alex Hammond-Chambers(1)	**20,000**	20,000	-
Nicholas Barber	**10,000**	10,000	-
Simon Fraser	**30,000**	30,000	30,000
Philip Kay(2)	-	-	-
David Miller(2)	**20,000**	-	-
Sir John Stanley	**5,000**	5,000	1,000
William Thomson	**15,000**	15,000	-

There have been no changes in the above holdings since the year end.

(1) resigned on 31 December 2004

(2) appointed on 29 October 2004

Substantial Share Interests

As at the date of this report notification had been received of the following interests in 3% or more of the issued share capital of the Company:

		%
Asset Value Investors Limited including:		17.36
British Empire Securities Limited	(8.47%)	
Yale University	(5.26%)	
Fidelity International Limited		9.32
NFU Mutual Insurance Society		3.11

As at the date of this report, 16.28% of the issued share capital was held by investors in the Fidelity Individual Savings Account, Fidelity Investment Trust PEP and the Fidelity Investment Trust Share Plan.

Analysis of Ordinary Shareholders

As at 31 December 2004	Number of Shareholders	% of issued Share Capital
Nominee Companies*	514	56.60
Individuals**	6,882	24.20
Limited Companies	35	3.06
Banks/Bank Nominees	9	2.92
Others	5	1.04
Pension Funds	9	0.30
Investment Trusts & Funds	11	8.74
Assurance/Insurance Companies	3	3.14
	7,468	**100.00**

* Nominees may also include individual shareholders

** Includes Share Plan, PEP and ISA investors

Annual General Meeting

At the Annual General Meeting, resolutions will be proposed to renew the Directors' authority to allot securities in the Company. The authorities sought by these resolutions are to replace the existing powers of the Directors which expire on the date of the Annual General Meeting and will provide the Directors with the flexibility to issue further ordinary shares if they deem it appropriate to do so. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders.

Resolution 8 provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,227,593. If passed, this resolution will enable the Directors to allot a maximum of 4,910,372 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company as at 10 March 2005.

This authority provides the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares should any favourable opportunities arise to the advantage of shareholders. If new ordinary shares are to be allotted for cash, Section 89(1) of the Companies Act 1985 requires such new shares to be offered to existing holders of ordinary shares (pre-emption rights). In certain circumstances it is beneficial for the Directors to allot shares for cash otherwise than pro rata to existing shareholders and the Companies Act 1985 provides for shareholders to give such power to the Directors by waiving their pre-emption rights.

Resolution 9 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities for cash by way of (a) rights issues where practical considerations, such as fractions and foreign securities laws, make this desirable and (b) other issues up to an aggregate nominal value of £1,227,593 (5% of the issued share capital of the Company as at 10 March 2005).

The Directors would not issue ordinary shares pursuant to this power at less than the then current net asset value per share ("NAV").

The authority to issue ordinary shares for cash under Resolution 9 will enable the Directors to issue additional new ordinary shares to participants in the Fidelity Investment Trust Share Plan and ISA in the event that the ordinary shares are trading at a premium to their NAV. The Directors would not intend to use this power unless such premium was in excess of 2% and unless they considered that it was in the interests of shareholders to do so.

Resolution 10 is a special resolution which renews the Directors' authority to repurchase the Company's shares for cancellation. It is proposed that the Board be authorised to make arrangements to purchase through the London Stock Exchange up to 14,721,297 ordinary shares of 25 pence (equivalent to 14.99% of the shares in issue at 10 March 2005). By utilising this power to repurchase shares when they are trading at a discount to net asset value, the Company will increase the resulting net asset value per share for remaining shareholders. Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share.

The Directors recommend that shareholders vote in favour of each of these resolutions.

The full text of the resolutions is set out in the notice of meeting contained on pages 44 to 46.

Corporate Governance

Full details are given in the Application of Corporate Governance on pages 21 to 25.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the net loss of the Company for that period. In preparing the accounts the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts may be published on a website. The Auditors have represented to your Board that their work does not involve any consideration of the maintenance and integrity of any websites and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the accounts since they were approved. Visitors to any website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdictions.

Independent Auditors

The Company's Auditors, PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors, are willing to continue in office and, in accordance with Section 385 and Section 390A of the Companies Act 1985, resolutions concerning their remuneration and re-appointment will be proposed at the Annual General Meeting.

Vicky Francis

By Order of the Board
Fidelity Investments International
Secretary
10 March 2005

Application of Corporate Governance

The Financial Reporting Council issued a revised Code on Corporate Governance (the "Code") in July 2003.

The Board has put in place a framework for corporate governance, which it believes is appropriate for an investment trust company and which will enable the Company to comply with the relevant provisions of the Code and the provisions of the Code of Corporate Governance published by the Association of Investment Trust Companies (the "AITC Code") which has established the framework of best practice for investment trusts.

The Board considers that the Company has complied with the provisions contained within the Combined Code and the AITC Code throughout the year ended 31 December 2004, except where disclosed below, and this statement describes how the principles of governance which are relevant to an investment trust are applied to the Company.

The Board and Its Committees

The Board – The Board of Directors has overall responsibility for the Company's affairs. All matters which are not delegated to the Company's Manager under the Management Agreement are reserved for the Board's decision. Matters reserved for the Board include, inter alia, decisions on strategy, management, structure, capital, gearing, financial reporting, risk management, investment performance, share price discount, corporate governance, the appointment of the Company Secretary and Board appointments.

The Board currently consists of a Chairman and five non-executive Directors, of whom three are independent of the Company's Manager. Mr Simon Fraser is an employee of the Manager and Sir John Stanley is a consultant to the Manager and cannot therefore be classed as independent. Sir John will retire as a Director of the Company on 31 March 2005. The Chairman and independent Directors together with Sir John Stanley form the membership of the Audit Committee and the Management Engagement Committee. All Directors are members of the Nomination and Remuneration Committee.

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the following table gives the attendance record for the meetings held during the year:

	Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings	Nomination & Remuneration Committee Meetings
W Thomson	5/5	2/2	2/2	1/1
N Barber	5/5	2/2	2/2	1/1
S Fraser	5/5	N/A	N/A	1/1
P Kay*	0/1	0/0	0/1	0/0
A Hammond-Chambers**	5/5	2/2	2/2	1/1
D Miller***	1/1	0/0	1/1	0/0
Sir J Stanley	5/5	2/2	2/2	1/1

* appointed as a Director on 29 October 2004, therefore only meetings held during period of service are shown. Due to prior engagements Mr Kay was unable to attend the Board meeting held in Tokyo.

** retired as a Director on 31 December 2004

*** appointed as a Director on 29 October 2004, therefore only meetings held during period of service are shown

Senior Independent Director – The Board appointed Mr Nicholas Barber as Senior Independent Director on 10 March 2005.

Board balance – The Board consists of Directors who, between them, have good knowledge and wide experience of business in Japan and of investment trusts. Biographical details of all Directors including their relevant directorships are given on page 5 of this report. The Board ensures that it conducts its business at all times with only the interests of the shareholders in mind and quite independently of any other associations. It meets at least four times a year, including an annual meeting in Tokyo, and endeavours to provide leadership in terms of the direction of the Company. Between these meetings there is regular contact with the Manager.

Appointments to the Board – The Nomination and Remuneration Committee is responsible for identifying possible candidates for consideration by the Board. Whilst the independent Directors take the lead in the appointment of new Directors, any proposal for a new Director will be discussed and approved by the entire Board. External consultants are also used to identify potential candidates and Mr Philip Kay and Mr David Miller were appointed as Directors of the Company as a result of this process. Upon appointment, each Director receives training on the investment operations and administration functions of the Company, together with a summary of their duties and responsibilities. The Directors also receive regular briefings from, amongst others, the AITC, the Company's Auditors and the Company Secretary regarding any proposed developments or changes in law or regulations that affect the Company and/or the Directors.

Mr William Thomson succeeded Mr Alex Hammond-Chambers as Chairman of the Company on 31 December 2004.

The terms and conditions of appointment of Directors are available for inspection at the registered office of the Company.

Performance evaluation – In view of the number of changes to the Board in 2004 and 2005 it was concluded that it would be inappropriate for an evaluation to take place until later in 2005. A process for the evaluation of the Board, its Committees and its Directors is now in place and takes the form of written questionnaires and interviews.

Re-election – All newly appointed Directors stand for election by the shareholders at the next Annual General Meeting following their appointment. The Directors retire by rotation and offer themselves for re-election by shareholders every three years. Directors who have reached the age of 70 are subject to annual re-election. Directors who have served on the Board for more than nine years are subject to annual re-election. The representative of the Manager is subject to annual re-election. A procedure has been put in place whereby formal letters of appointment, which specify the terms of appointment, are issued to new Directors on appointment and to existing Directors upon subsequent re-election at the Annual General Meeting.

In accordance with the Company's Articles of Association Messrs Kay and Miller will seek election at the forthcoming Annual General Meeting. The proposal for their appointment was considered by the Nomination and Remuneration Committee which met on 10 March 2005. Both have only very recently been appointed to the Board, but this was done after a rigorous selection process with the aid of external Search Consultants and we have every confidence they will make a valuable contribution to the Company's affairs and we recommend that shareholders vote in favour of their appointment.

Mr Simon Fraser will retire in accordance with the provisions of the Listing Rules and will be seeking re-election at the forthcoming Annual General Meeting. The proposal for his reappointment was considered by the Nomination and Remuneration Committee which met on 10 March 2005. Simon is the representative of the Manager on the Board and as mentioned in previous reports, we believe that it is important that the Manager should be party to the responsibility, authority and accountability to those investing in their management. Simon's knowledge and experience of Japan and, in particular, investment in Japan are of enormous benefit and we recommend that shareholders vote in favour of his reappointment.

Mr Nicholas Barber, CBE will retire by rotation and will be seeking re-election at the forthcoming Annual General Meeting. The proposal for his reappointment was considered by the Nomination and Remuneration Committee which met on 10 March 2005. Since joining the Board in 2000 Nicholas has continued to provide thought provoking analysis of the issues before the Board and offers constructive criticism when appropriate. We recommend that shareholders vote in favour of his reappointment.

The Audit Committee consists of all the independent Directors and Sir John Stanley and is chaired by Mr William Thomson. The Committee considers that collectively the members of the Committee have sufficient recent and relevant financial experience to discharge their responsibilities fully. The Committee's authority and duties are clearly defined in its written terms of reference which are available for inspection at the Company's registered office. These include responsibility for reviewing the interim report and annual report and accounts, reviewing the scope and results of the audit and the effectiveness and cost of the audit process and reviewing the Company's internal financial controls. They also include responsibility for reviewing and monitoring the external Auditors' independence and objectivity with particular regard to the provision of non-audit services. The Audit Committee of the Board meets with the Auditors at least once a year to review these and other appropriate matters.

In the year to 31 December 2004 the Audit Committee discharged its responsibilities by, inter alia:-

- Reviewing the Company's draft annual and interim financial statements prior to Board approval and reviewing the external Auditors' report on the annual financial statements
- Reviewing the appropriateness of the Company's accounting policies
- Reviewing and approving the audit fee and reviewing non-audit fees payable to the Company's external Auditors
- Reviewing the external Auditors' terms of engagement
- Reviewing the external Auditors' plan for the audit of the Company's accounts
- Reviewing the external Auditors' quality control procedures

- Reviewing and monitoring the effectiveness of the external audit process and the external Auditors' independence and objectivity
- Considering the scope of work undertaken by the Manager's internal audit department
- Reviewing the Manager's semi-annual report on internal controls and reporting to the Board
- Considering and reconfirming that it does not need an internal audit function given that the Company delegates its day to day operations to third parties.

The Nomination and Remuneration Committee consists of all of the Directors and is chaired by Mr William Thomson. The Committee is charged with nominating new Directors for consideration by the Board of Directors, and subsequent approval by shareholders. It believes that the best way of ensuring that the Board as a whole and each independent Director individually carries out his duties in an independent manner, irrespective of the interests of the Manager, is to ensure that the search for, the interview of and recommendation to the Board of a candidate is entirely controlled by this Committee. The Nomination and Remuneration Committee also considers the re-election of Directors who are retiring by rotation.

The Committee also concerns itself with the remuneration of the Directors, considering as it does the remit of the job and the responsibility and time involved. It also makes itself aware of the directors' fees of other investment trust companies and other comparable entities. The level of remuneration of the non-executive Directors is set by the Nomination and Remuneration Committee. The Director who represents the Manager waives his fee.

This Committee meets on an annual basis and as and when required, making recommendations to the Board where appropriate.

The Committee's terms of reference are available for inspection at the Company's registered office.

The Management Engagement Committee consists of all of the independent Directors and Sir John Stanley and is chaired by Mr William Thomson. The Committee is charged with reviewing and monitoring the performance of the Manager in respect of its contract and the fees it is paid. This Committee meets at least once a year and reports to the Board of Directors, making recommendations where appropriate.

The level of remuneration of the Manager is determined by the Management Engagement Committee; it relates to the investment management function, on which a percentage of the funds under management is paid (thereby relating this part of its remuneration to performance) and to the administrative function. The Board of Directors is mindful that the amounts paid to the Manager should be sufficient to ensure that both the fund manager and the administrators within the management house appointed to look after its affairs are highly skilled and that those individuals should be largely focused on the Company's business.

The criteria which are taken into consideration in reviewing the performance of the Manager are set out below:-

- Quality of team – the skills and particularly the experience of the team involved in managing all aspects of the Company's business
- Commitment of the Manager to the investment trust business generally and to the Company in particular
- Managing the Company – in running and controlling the administration, the accounting and the secretaryship of the Company
- Investment management – portfolio management skills, experience and track record and other investment related considerations
- Shareholders – shareholder consciousness and relations, discount management and commitment to the Company's goals
- Management Agreement – consideration of fees, notice period and duties
- Marketing – commitment to and execution of activities designed to secure sustainable demand from prospective long-term shareholders.

The Committee met on 29 October 2004 and on 10 March 2005 and reviewed the performance of the Manager for the year to 31 December 2004. Having reviewed the criteria set out above, the Committee concluded that it was in the interests of shareholders that the Management Agreement should continue.

The Committee's terms of reference are available for inspection at the Company's registered office. Details of the Management Agreement are set out below.

Management Agreement – A management and secretarial services agreement (the "Management Agreement") dated 22 February 1994 was made between the Company and Fidelity Investments International (the "Manager"), under which the Manager has agreed to provide investment management, administrative and secretarial services to the Company for a

Application of Corporate Governance

quarterly fee of an amount equal to 0.25 per cent (plus VAT) of the value of the Company's assets under management (as defined in the Management Agreement, which excludes investments in other funds managed by the Manager) payable quarterly in arrear and calculated as of the last business day of March, June, September and December in each year. In addition the Company has agreed to pay to the Manager a fee for secretarial and administration services, payable quarterly in arrear, at the current rate of £32,329 per annum (plus VAT) subject to annual indexation.

The Management Agreement will continue unless and until terminated by either party giving to the other not less than twelve months' notice in writing. The Management Agreement may, however, be terminated without compensation if the Company is liquidated pursuant to the procedures laid down in the Articles of Association of the Company regarding the Company's continuation. The Management Agreement may also be terminated forthwith as a result of a material breach of the Management Agreement or on the insolvency of the Manager or the Company. In addition, the Company may terminate the Management Agreement by two months' notice in writing if the Manager ceases to be a subsidiary of Fidelity International Limited.

Supply and agenda of information – The quarterly Board meeting papers are the key source of regular information for the Board, the contents of which are determined by the Board and contain sufficient information on the financial condition of the Company. Key representatives of the Manager attend each Board meeting, enabling the Board to probe further on matters of concern or seek clarification on certain issues. The Directors have access to the advice and services of the Company Secretary through its appointed representative, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules, laws and regulations are complied with. The Directors also have the ability to take independent professional advice, if necessary, at the Company's expense. The Company maintains Directors' and Officers' liability insurance through the Manager.

Directors' remuneration – The level of Directors' fees is determined by the Nomination and Remuneration Committee. Since all Directors are non-executive, the Company is not required to comply with the principles of the Code in respect of executive directors' remuneration. Directors' fees are disclosed fully in each Annual Report (see the Directors' Remuneration Report on page 26).

Accountability and Audit

Financial reporting – Set out on page 20 is a statement by the Directors of their responsibilities in respect of the accounts. The Auditors have set out their reporting responsibilities within the Independent Auditors' Report on page 27.

Going concern – The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts since the assets of the Company consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

Internal control – The Code requires the Directors to review the effectiveness of the Company's systems of internal control. The identification, control and evaluation of risk is formulated by a series of quarterly investment performance reports, a semi-annual internal controls report and quarterly compliance reports as provided by the Manager. The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material mis-statement or loss. The Board has contractually delegated to external agencies, including the Investment Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the day-to-day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered including the control systems in operation in so far as they relate to the affairs of the Company.

The Board, assisted by the Manager, has undertaken a semi-annual risk and control assessment. The business risks have been analysed and recorded in a risk and internal controls report which is regularly reviewed. Whilst the Company, in common with most investment trusts, has no internal audit department, the effectiveness of these controls is monitored by the Manager's compliance and internal audit functions. The Audit Committee has received and reviewed the report on the effectiveness of the internal controls maintained on behalf of the Company, and an annual compliance report from the Manager's Global Oversight Director. The Board also receives each year from the Manager a report on its internal controls which includes a report from the Manager's reporting accountants on the control procedures in operation around the investment management and administration processes. By means of the procedures set out above and in accordance with "Internal Control: Guidance for Directors on the Combined Code" published in 1999, the Directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and have reviewed the effectiveness of the internal control systems throughout the year.

Voting policy – The Board has adopted the Manager's Principles of Ownership in relation to investments. These principles include the pursuit of an active investment policy through portfolio management decisions, voting on resolutions at general meetings and maintaining a continuing dialogue with the management of investee companies. In its Principles of Ownership, the Manager expressly declares that it supports the Statement of Principles drawn up by the Institutional Shareholders' Committee setting out the responsibilities of institutional shareholders and agents.

The Manager instructs proxy voting on behalf of the Company in accordance with the Manager's existing guidelines and policies.

Shareholders – The Board regularly monitors the shareholder profile of the Company and liaises with the Manager and the Company's broker to canvass shareholder opinion and communicate its views to shareholders. The Board aims to provide the maximum opportunity for dialogue between the Company and shareholders. It believes the Company's institutional shareholders do have proper access to the Manager at any time and to the Board if they so wish. If any shareholder wishes to contact a member of the Board directly they should contact the Company Secretary whose details are given on page 43. All shareholders, particularly individual shareholders, are encouraged to attend the Annual General Meeting at which there is always a presentation of the past year's results and the forthcoming year's prospects, followed by the opportunity to meet the Management and the Board.

All proxy votes received in respect of the Annual General Meeting are counted and, except where a poll is called, are reported for each resolution after it has been dealt with on a show of hands.

The Notice of Meeting on pages 44 to 46 sets out the business of the Annual General Meeting. A separate resolution is proposed on each substantially separate issue including the Annual Report and Accounts.

The Chairman of the Board, who is also Chairman of the Audit Committee, will be available to answer questions at the Annual General Meeting.

The Notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the meeting.

On behalf of the Board
William Thomson
10 March 2005

Directors' Remuneration Report

Remuneration Committee

The Board of Directors is comprised solely of non-executive Directors and has established a Nomination and Remuneration Committee, which comprises the whole Board. This Committee meets annually and as and when required. At its annual meeting it determines the fees paid to Directors.

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £100,000 per annum. Subject to this overall limit, the Nomination and Remuneration Committee makes recommendations to the Board regarding the level of Directors' fees, having regard to their duties and responsibilities, to their time commitments, to their potential liabilities (both financial and reputational) and finally to levels of fees in the investment trust industry generally.

No Director has a service contract with the Company. The Company does not make payments to Directors on termination.

The Company's performance has been measured against the Russell Nomura Mid/Small Cap Index as this is the most appropriate benchmark in respect of its investment objective.

The graph below is required by statute, however it is unrepresentative of the Company's overall long term performance. We believe that the graph on page 4 which gives the performance since launch is more meaningful and demonstrates NAV performance slightly ahead of the benchmark.

Performance
from 31 December 1999 to 31 December 2004

Remuneration of Directors*

Name	2004 Salary and Fees £'000	2003 Salary and Fees £'000
William Thomson	13	10
Nicholas Barber	13	10
Simon Fraser(1)	-	-
Alex Hammond-Chambers(2)	20	15
Philip Kay(3)	3	-
David Miller(3)	3	-
The Rt Hon Sir John Stanley MP	13	10
Total	65	45

* Audited information

(1) Simon Fraser waived his fees of £11,500 in 2004 and £10,000 in 2003.

(2) Alex Hammond-Chambers' fees are paid to Alex Hammond-Chambers & Company. Alex Hammond-Chambers retired as a Director on 31 December 2004.

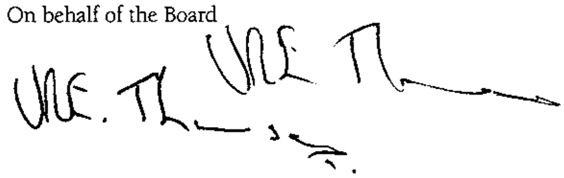
(3) Appointed as a Director on 29 October 2004.

With effect from 1 July 2004 Directors' fees have been increased to reflect the additional work and responsibility for Directors as follows:

	Board Fee £	Audit Committee Fee £	Management Engagement Committee Fee £	Total £
Chairman of the Board and Committees	20,000	2,500	2,500	25,000
Director & member of all Committees	13,000	1,500	1,500	16,000
Director & member of Nomination & Remuneration Committee	13,000	-	-	13,000

No Director received any bonus, taxable expenses, compensation for the loss of office or non-cash benefits for the year ended 31 December 2004 or the year ended 31 December 2003.

On behalf of the Board



William Thomson
Chairman
10 March 2005

Independent Auditors' Report to the Members of Fidelity Japanese Values PLC

We have audited the accounts which comprise the Statement of Total Return, the Balance Sheet, the Cash Flow Statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report (the "auditable part").

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the accounts and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. The other information comprises the Chairman's Statement, the Investment Manager's Report, the Directors' Report, the Corporate Governance Statement and the unaudited part of the Directors' Remuneration Report.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the auditable part of the Directors' Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view of the state of the Company's affairs at 31 December 2004 and of its total return and cash flows for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
10 March 2005

Statement of Total Return (incorporating the revenue account) of the Company

for the year ended 31 December

	notes	2004 revenue £'000	2004 capital £'000	2004 total £'000	2003 revenue £'000	2003 restated* capital £'000	2003 total £'000
Gains on investments	8	-	11,063	11,063	-	17,973	17,973
Income	2	705	-	705	657	-	657
Investment management fee	3	(884)	-	(884)	(673)	-	(673)
Other expenses	4	(369)	-	(369)	(266)	-	(266)
Exchange losses		(1)	(141)	(142)	-	(14)	(14)
Exchange gains/(losses) on loans		-	594	594	-	(40)	(40)
Net (loss)/return before finance costs, realisation of the warrant reserve and taxation		**(549)**	**11,516**	**10,967**	(282)	17,919	17,637
Interest payable	5	(274)	-	(274)	(286)	-	(286)
Realised gain on warrants unexercised	13	-	10,197	10,197	-	-	-
(Loss)/return on ordinary activities before taxation		**(823)**	**21,713**	**20,890**	(568)	17,919	17,351
Taxation on return on ordinary activities	6	(48)	-	(48)	(66)	-	(66)
(Loss)/return on ordinary activities after taxation for the year attributable to equity shareholders		**(871)**	**21,713**	**20,842**	(634)	17,919	17,285
(Loss)/return per ordinary share	7						
Before realisation of the warrant reserve		(0.89p)	11.73p	10.84p	(0.65p)	18.25p	17.60p
After realisation of the warrant reserve		(0.89p)	22.11p	21.22p	(0.65p)	18.25p	17.60p

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

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

No operations were acquired or discontinued in the year.

*see note 1j on page 31

The notes on pages 31 to 41 form an integral part of the accounts.

Balance Sheet

as at 31 December

	notes	2004 £'000	2003 £'000
Fixed assets			
Investments	8	85,376	72,616
Current assets			
Debtors	9	456	865
Cash at bank		673	3,248
		1,129	4,113
Creditors - amounts falling due within one year	10		
Fixed rate unsecured loans		-	(16,660)
Other creditors		(455)	(731)
		(455)	(17,391)
Net current assets/(liabilities)		674	(13,278)
Total assets less current liabilities		86,050	59,338
Creditors - amounts falling due after more than one year			
Fixed rate unsecured loans	11	(16,066)	-
Total net assets		69,984	59,338
Capital and reserves			
Called up share capital	12	24,551	24,551
Share premium account	13	44	40
Capital redemption reserve	13	1,780	1,780
Other reserves			
Other reserve	13	60,369	60,369
Other non-distributable reserve	13	-	2
Warrant reserve	13	-	10,198
Capital reserve - realised	13	(6,351)	(30,687)
Capital reserve - unrealised	13	(213)	2,410
Revenue reserve	13	(10,196)	(9,325)
Total equity shareholders' funds	15	69,984	59,338
Net asset value per ordinary share:	14	71.26p	60.42p

The accounts on pages 28 to 41 were approved by the Board of Directors on 10 March 2005 and were signed on its behalf by:

William Thomson, Chairman

The notes on pages 31 to 41 form an integral part of these accounts.

Cash Flow Statement

for the year ended 31 December

	notes	2004 £'000	2003 £'000
Operating activities			
Investment income received		629	570
Interest received		3	9
Investment management fee paid		(864)	(631)
Directors' fees paid		(68)	(32)
Other cash payments		(283)	(179)
Net cash outflow from operating activities	16	(583)	(263)
Returns on investments and servicing of finance			
Interest paid		(275)	(286)
Net cash outflow from returns on investments and servicing of finance		(275)	(286)
Financial investment			
Purchase of investments		(76,801)	(42,481)
Disposals of investments		75,047	43,387
Net cash (outflow)/inflow from financial investment		(1,754)	906
Net cash (outflow)/inflow before financing		(2,612)	357
Financing			
Exercise of warrants		1	-
1.05% fixed rate unsecured loan repaid		(7,371)	-
2.155% fixed rate unsecured loan repaid		(8,678)	-
1.565% fixed rate unsecured loan drawn down		7,371	-
1.34% fixed rate unsecured loan drawn down		8,678	-
Net cash inflow from financing		1	-
(Decrease)/increase in cash	17	(2,611)	357

The notes on pages 31 to 41 form an integral part of these accounts.

Notes to the Accounts

1 Accounting Policies

A summary of the accounting policies used is set out below. The Company has adopted the AITC Statement of Recommended Practice: Financial Statements of Investment Trust Companies ("SORP") dated January 2003.

a) **Basis of accounting** – The accounts have been prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost convention, modified to include the revaluation of fixed asset investments and on the assumption that approval as an investment trust will be granted.

b) **Income** – Income from equity investments is credited to the revenue account on the date the right to receive payment is established unless there is sufficient evidence that they should be treated as capital. Interest receivable on short-term loans and deposits, interest payable and expenses of management are dealt with on an accruals basis. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.

c) **Expenses and finance costs** – All expenses are accounted for on an accruals basis and are charged in full to the revenue account within the Statement of Total Return. Finance costs are accounted for on an accruals basis and in accordance with the provisions of Financial Reporting Standard ("FRS") 4 "Capital Instruments".

d) **Taxation** – Deferred taxation is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred. A deferred tax asset is recognised when it is more likely than not that the asset will be recoverable.

e) **Foreign currency** – Transactions denominated in foreign currencies are calculated in sterling at the rate of exchange ruling as at the date of transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Realised and unrealised capital gains and losses, including exchange differences on the translation of foreign currency assets and liabilities, are dealt with in capital reserves realised and unrealised.

f) **Valuation of investments** – Listed investments are valued at middle market prices. Unlisted investments are valued at market prices ruling where an organised market in such investments exists; other unquoted investments are included at Directors' valuation. Where a price is not readily available the holding would be valued at cost unless circumstances indicate a different valuation is warranted. In general, valuations are increased where a substantial arm's length transaction has occurred subsequent to acquisition, at a price higher than cost. Valuations are decreased where subsequent transactions have taken place at a price lower than cost or where Fidelity's Fair Value Committee is aware that the company is experiencing operating difficulties. There were no unlisted holdings during the year (2003: none).

g) **Capital reserve – realised** - Gains and losses on the realisation of investments and realised exchange differences of a capital nature are accounted for in the capital reserve - realised.

h) **Capital reserve – unrealised** - Increases and decreases in the valuation of investments held at the year end and unrealised exchange differences of a capital nature are accounted for in the capital reserve - unrealised.

i) **Warrant reserve** – In accordance with FRS4, a warrant reserve was established which, following the exercise of the warrants, is no longer required.

j) The capital net return before finance costs, realisation of the warrant reserve and taxation for the year ended 31 December 2003 has been restated from £17,959,000 to £17,919,000. This restatement has been necessary as exchange gains/(losses) are now included as part of the net return before finance costs rather than a finance cost. This restatement has no impact on the Company's return on ordinary activities for the year ended 31 December 2003.

Notes to the Accounts

2 Income

	2004 £'000	2003 £'000
Income from listed investments		
Overseas dividends	701	648
	701	648
Other income		
Deposit interest	4	9
Total income	**705**	657
Total income comprises		
Dividends	701	648
Interest	4	9
	705	657

3 Investment management fee

	2004 £'000	2003 £'000
Investment management fee	884	673
	884	673

A summary of the terms of the Management Agreement is given on page 24.

4 Other expenses

	2004 £'000	2003 £'000
Directors' fees	65	45
Custody fees	17	11
Legal and professional fees	79	30
Marketing expenses	67	56
Printing charges	45	51
Secretarial and administration fees	32	31
Other	45	25
Auditors' remuneration		
Audit	19	17
	369	266

5 Interest payable

	2004 £'000	2003 £'000
On loans repayable within five years		
Bank overdraft	1	3
Fixed rate unsecured loans	273	283
	274	286

6 Taxation on return on ordinary activities

a) Analysis of charge in year

	2004 £'000	2003 £'000
Overseas taxation suffered	48	66
Total current taxation for year (see note 6b)	48	66

b) Factors affecting the taxation charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an investment trust company (30%) (2003: 30%).

The differences are explained below.

	2004 £'000	2003 £'000
Loss on ordinary activities before taxation	**(823)**	(568)
Corporation tax at 30% (2003: 30%)	(247)	(170)
Effects of:		
Overseas taxation	48	66
Excess expenses for the period	247	170
Current corporation tax charge (note 6a)	**48**	66

Investment trust companies are exempt from tax on capital gains if they meet the Inland Revenue criteria set out in s842 Income and Corporation Taxes Act 1988 for a given period. Therefore, any capital return is not included in the above reconciliation.

c) The deferred tax assets of £2,951,000 in respect of unutilised expenses at 31 December 2004 (2003: £2,704,000) and £214,000 (2003: £166,000) in respect of eligible unrelieved foreign taxation have not been recognised as it is unlikely that these assets will be utilised.

Notes to the Accounts

7 (Loss)/return per ordinary share

	2004 revenue	2004 capital	2004 total	2003 revenue	2003 capital	2003 total
Before realisation of the warrant reserve	(0.89p)	11.73p	10.84p	(0.65p)	18.25p	17.60p
After realisation of the warrant reserve	(0.89p)	22.11p	21.22p	(0.65p)	18.25p	17.60p

(Losses)/returns per ordinary share are based on the net loss on ordinary activities after taxation of £871,000 (2003: loss £634,000), the capital appreciation in the year before realisation of the warrant reserve of £11,516,000 (2003: appreciation £17,919,000) and the capital appreciation in the year after realisation of the warrant reserve of £21,713,000 (2003: appreciation £17,919,000) and on 98,207,060 ordinary shares (2003: 98,206,253) being the weighted average number of ordinary shares in issue during the year.

8 Investments

	2004 £'000	2003 £'000
Listed overseas	85,376	72,616
Total listed investments	**85,376**	72,616

	listed overseas £'000
Opening book cost	81,585
Opening unrealised depreciation	(8,969)
Opening valuation	**72,616**
Movements in the year	
Purchases at cost	76,490
Sales – proceeds	(74,793)
Sales – realised gains on sales	2,299
Decrease in unrealised depreciation	8,764
Closing valuation	**85,376**
Closing book cost	85,581
Closing unrealised depreciation	(205)
	85,376

	2004 £'000	2003 £'000
Realised gains/(losses) on sales	2,299	(17,564)
Amounts recognised as unrealised in previous years	388	(5,946)
	2,687	(23,510)
Net decrease in unrealised depreciation	8,376	41,483
Gains on investments	**11,063**	17,973

The annualised portfolio turnover for the year is 88% (2003: 62%).

9 Debtors

	2004 £'000	2003 £'000
Securities sold for future settlement	314	655
Accrued income	57	34
Currency receivable	-	99
Other debtors	85	77
	456	865

10 Creditors - amounts falling due within one year

	2004 £'000	2003 £'000
Fixed rate unsecured loan @ 1.05% per annum	-	7,856
Fixed rate unsecured loan @ 2.155% per annum	-	8,804
Securities purchased for future settlement	8	230
Loan interest payable	27	28
Currency payable	-	99
Other creditors	420	374
	455	17,391

11 Creditors - amounts falling due after one year

	2004 £'000	2003 £'000
Fixed rate unsecured loan at 1.565% per annum	7,576	-
Fixed rate unsecured loan at 1.34% per annum	8,490	-
	16,066	-

The fixed rate unsecured loan from The Royal Bank of Scotland plc of yen 1,499,040,000 was drawn down on 13 August 2004 for a period of five years at a fixed rate of 1.565% per annum.

The fixed rate unsecured loan from The Royal Bank of Scotland plc of yen 1,680,000,000 was drawn down on 25 November 2004 for a period of five years at a fixed rate of 1.34% per annum.

The Company has entered into agreements with The Royal Bank of Scotland plc whereby, if total borrowings exceed 39% of the Company's assets, sufficient money is placed in a charged account with the bank to reduce borrowings to below 39%. The release of the charge is contingent on the borrowing ratio of the Company being reduced to 37% for a period of five consecutive business days.

At 31 December 2004, there were no cash deposits with the bank subject to a charge in favour of The Royal Bank of Scotland plc (2003: nil in respect of the loans with JPMorgan Chase Bank PLC which were repaid during 2004). As at the date of this report there were no cash deposits subject to the charge.

Redemption costs may be payable in the event of the Directors electing to prepay these loans and swaps. The estimated cost of cancellation of these loans and swaps at 31 December 2004 was £150,000.

12 Called-up share capital

	2004 £'000	2003 £'000
Authorised:		
230,000,000 (2003: 230,000,000) ordinary shares of 25 pence each	57,500	57,500
Issued, allotted and fully paid:		
Beginning of year		
98,206,253 (2002: 98,206,253) ordinary shares of 25 pence each	24,551	24,551
Issued during the year		
30 April 2004: Exercise of 1,200 warrants (2003: nil)	-	-
End of year		
98,207,453 (2003: 98,206,253) ordinary shares of 25 pence each	24,551	24,551

At 31 December 2004 there were no warrants outstanding (2003: 20,396,547).

13 Reserves

2004	share premium account £'000	capital redemption reserve £'000	other reserve £'000	other non-distributable reserve £'000	warrant reserve £'000	capital reserve realised £'000	capital reserve unrealised £'000	revenue reserve £'000
Beginning of year	40	1,780	60,369	2	10,198	(30,687)	2,410	(9,325)
Exchange (losses)/gains on other net assets	-	-	-	-	-	(177)	36	-
Net gain on realisation of investments	-	-	-	-	-	2,687	-	-
Net (depreciation)/appreciation therein already recognised in prior periods	-	-	-	-	-	(388)	388	-
Decrease in unrealised depreciation	-	-	-	-	-	-	8,376	-
*Adjustment to realised and unrealised (depreciation)/appreciation relating to prior periods**	-	-	-	-	-	9,497	(9,497)	-
Exchange gains/(losses) on loans	-	-	-	-	-	2,520	(1,926)	-
Revenue loss for the year	-	-	-	-	-	-	-	(871)
Exercise of warrants	-	-	-	2	(1)	-	-	-
Gain on expiration of warrants	-	-	-	-	(10,197)	10,197	-	-
Transfer from other non-distributable reserve to share premium	4	-	-	(4)	-	-	-	-
End of year	**44**	**1,780**	**60,369**	-	-	**(6,351)**	**(213)**	**(10,196)**

* In prior periods gains and losses on investments have been misallocated betweeen the realised capital reserve and the unrealised capital reserve. A correction for this has been included in the reserves in the current period in accordance with accounting standards.

14 Net asset value per share

The basic net asset value per ordinary share is based on net assets of £69,984,000 (2003: £59,338,000) and on 98,207,453 (2003: 98,206,253) ordinary shares, being the number of ordinary shares in issue at the year end.

15 Reconciliation of movement in shareholders' funds

	2004 £'000	2003 £'000
Opening shareholders' funds	59,338	42,053
Exercise of warrants	1	-
Loss after taxation attributable to shareholders	(871)	(634)
Other recognised gains	21,713	17,919
Transfer of gain on warrants unexercised to capital reserve	(10,197)	-
Closing shareholders' funds	**69,984**	59,338

16 Reconciliation of net revenue loss before finance costs and taxation to net cash outflow from operating activities

	2004 £'000	2003 £'000
Revenue loss before finance costs and taxation	(549)	(282)
(Decrease)/increase in other creditors	(54)	114
Decrease/(increase) in other debtors	68	(29)
Overseas taxation suffered	(48)	(66)
Net cash outflow from operating activities	**(583)**	(263)

17 Reconciliation of net cash movements to movement in net debt

	2004 £'000	2003 £'000
Beginning of year	(13,412)	(13,699)
Net cash (outflow)/inflow	(2,611)	357
1.05% fixed rate unsecured loan repaid	(7,371)	-
2.155% fixed rate unsecured loan repaid	(8,678)	-
1.565% fixed rate unsecured loan drawn down	7,371	-
1.34% fixed rate unsecured loan drawn down	8,678	-
Unrealised foreign exchange movement	36	(30)
Foreign exchange movement on fixed rate unsecured loans	594	(40)
Change in net debt	**(1,981)**	287
End of year	**(15,393)**	(13,412)

	2004 £'000	Change in the year £'000	Exchange movements £'000	2003 £'000
Analysis of balances				
Cash at bank	673	(2,611)	36	3,248
Fixed rate unsecured loans	(16,066)	-	594	(16,660)
End of year	**(15,393)**	**(2,611)**	**630**	(13,412)

18 Analysis of changes in financing during the year

	2004 share capital £'000	2004 loans £'000	2004 total £'000	2003 share capital £'000	2003 loans £'000	2003 total £'000
Beginning of year	24,551	16,660	41,211	24,551	16,620	41,171
1.05% fixed rate unsecured loan repaid	-	(7,371)	(7,371)	-	-	-
2.155% fixed rate unsecured loan repaid	-	(8,678)	(8,678)	-	-	-
1.565% fixed rate unsecured loan drawn down	-	7,371	7,371	-	-	-
1.34% fixed rate unsecured loan drawn down	-	8,678	8,678	-	-	-
Change in value of fixed rate unsecured loans	-	(594)	(594)	-	40	40
End of year	**24,551**	**16,066**	**40,617**	24,551	16,660	41,211

19 FRS13 – Financial Instruments

The investment objective of the Company is detailed in the Company Summary on page 1. In pursuit of this objective, the Company may be exposed to various forms of risk, as described below.

The Company's financial instruments comprise:

- Equity shares held in accordance with the Company's investment objective and policies
- Cash, liquid resources and short-term debtors and creditors that arise from its operations
- Yen borrowings to finance operations

The risks arising from the Company's financial instruments are market price risk, which comprises interest rate risk and foreign currency risk, liquidity risk and counterparty credit risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies have remained unchanged since the beginning of the accounting period.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

Short-term debtors and other short-term creditors are excluded from the following analyses.

Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements and changes in exchange rates. The Board meets quarterly to consider the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective. The Investment Manager is responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk/reward profile.

Financial instruments are stated in the balance sheet at values which are not materially different to their fair values. Investments are held at mid market value. The Directors consider this equates to fair value and for cash, book value approximates to fair value due to short maturity of the instruments. The exceptions are the long term fixed rate unsecured loans, whose fair values as at 31 December 2004 given below have been calculated by discounting future cash flows at five year yen interest rates.

	2004 fair value £'000	2004 book value £'000	2003 fair value £'000	2003 book value £'000
Fixed rate unsecured loan @ 1.05% per annum	-	-	7,913	7,856
Fixed rate unsecured loan @ 2.155% per annum	-	-	8,986	8,804
Fixed rate unsecured loan @ 1.565% per annum	7,883	7,576	-	-
Fixed rate unsecured loan @ 1.34% per annum	8,760	8,490	-	-
	16,643	**16,066**	16,899	16,660

Interest rate risk

The Company finances its operations through share capital raised. In addition, financing has been obtained through two Japanese yen-denominated fixed rate unsecured bank loans, which fall due for repayment in August and November 2009. The Company is therefore not exposed to a financial risk arising as a result of any increase in yen interest rates on these loans. The fixed rate unsecured loan from The Royal Bank of Scotland plc of yen 1,499,040,000 was drawn down on 13 August 2004 for a period of five years at a fixed rate of 1.565% per annum. The Company pays a quarterly fixed fee of 0.915% less the quarterly LIBOR rate on the swap facility. The fixed rate unsecured loan from The Royal Bank of Scotland plc of yen 1,680,000,000 was drawn down on 25 November 2004 for a period of five years at a fixed rate of 1.34% per annum. The Company pays a quarterly fixed fee of 0.69% less the quarterly LIBOR rate on the swap facility. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions.

The Company's financial assets are mainly invested in equity shares and other investments which neither pay interest nor have a maturity date. The Company also has substantial cash balances of yen 104,303,103 (2003: yen 589,023,145). The rate of interest on the yen cash balances is nil% (2003: nil%) and sterling 4.54% (2003: 3.69%), consequently the risk of a decrease in cash interest earned is low.

The interest profile of the Company's financial liabilities (including short-term loans but excluding short-term creditors), as at 31 December 2004 and 2003 was as follows:

Currency	**2004 fixed rate financial liabilities £'000**	2003 fixed rate financial liabilities £'000
Yen	16,066	16,660

Currency	**2004 weighted average interest rate**	2003 weighted average interest rate
Yen	1.45%	1.60%

Currency	**2004 fixed rate financial liabilities: weighted average period for which rate is fixed**	2003 fixed rate financial liabilities: weighted average period for which rate is fixed
Yen	57 months	10 months

Foreign currency risk

The Company's total return and balance sheet can be affected by foreign exchange movements because the Company has assets and income which are denominated in currencies other than the Company's base currency (sterling).

The Board has identified three principal areas where foreign currency risk could impact the Company:

- Movements in rates affecting the value of investments
- Movements in rates affecting short-term timing differences
- Movements in rates affecting the income received

The Company does not hedge the sterling value of investments or other net assets priced in other currencies by the use of derivatives.

The Company might also be subject to short-term exposure from exchange rate movements, for example between the date when an investment is bought or sold and the date when settlement of the transaction occurs. Income denominated in foreign currencies is converted to sterling on receipt.

The following is an analysis of the Company's currency exposure as at 31 December 2004 and 2003:

	2004			2003		
Currency	**foreign currency monetary assets £'000**	**foreign currency monetary liabilities £'000**	**net foreign currency monetary assets £'000**	foreign currency monetary assets £'000	foreign currency monetary liabilities £'000	net foreign currency monetary assets £'000
Yen	86,275	(16,102)	70,173	76,392	(16,918)	59,474
UK sterling	230	(419)	(189)	337	(473)	(136)
Balance sheet total	**86,505**	**(16,521)**	**69,984**	76,729	(17,391)	59,338

Liquidity risk

The Company's assets mainly comprise readily realisable securities, which can be easily sold to meet funding commitments if necessary. Short-term flexibility is achieved by the use of overdraft facilities as required. Details of the Company's borrowing commitments are explained in note 11 to the accounts.

The maturity profile of the Company's financial liabilities at 31 December 2004 and 2003:

	2004 £'000	2003 £'000
Within one year, or on demand	-	16,660
After more than two years but less than five years	16,066	-
	16,066	16,660

The Company does not have any undrawn committed borrowing facilities.

Counterparty credit risk

Certain transactions in securities that the Company enters into expose it to the risk that the counterparty will not deliver either the shares (on a purchase) or the cash (on a sale) after the Company has fulfilled its responsibilities.

The Company buys and sells investments on a delivery versus payment basis to manage risk.

The Company only buys and sells investments through brokers which have been approved by the Manager as an acceptable counterparty. Additionally, limits are set as to the maximum exposure to any broker at any time, the limits being reviewed on a regular basis.

20 Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments as at 31 December 2004 (2003: nil).

21 Transactions with the Manager

The Directors have complied with the provisions of FRS8 which require disclosure of related party transactions and balances. Fidelity Investments International is the Manager and Secretary of the Company and details of the services provided and fees paid are given on pages 1 and 24.

Investor Information

The objective of Fidelity Japanese Values is to achieve long-term capital growth from an actively managed portfolio of securities primarily of small and medium-sized Japanese companies listed or traded on Japanese stockmarkets.

Fidelity Japanese Values was launched on 15 March 1994 with one warrant attached to every five shares. The original subscription price for each share was £1. In 2007 and every three years thereafter, shareholders will have the right to approve, or otherwise, the continued existence of the Company. The Company is a member of The Association of Investment Trust Companies ("AITC") from whom general information on investment trusts can be obtained by telephoning **020 7282 5555 (email address: enquiries@aitc.co.uk).**

How to invest – the Company's shares are listed on the London Stock Exchange and the **ordinary shares** can be bought and sold directly through a stockbroker or indirectly via a lawyer, accountant or other independent financial adviser. A number of banks and building societies also offer this service. The shares can also be bought directly through the **Fidelity Investment Trust Share Plan** and the **Fidelity Individual Savings Account** ("ISA").

The Share Plan allows an investor to make regular monthly payments (minimum £50 per month) or to invest a lump sum (initial minimum £1,000, thereafter £250) into any of the five investment trusts managed by Fidelity. The only plan charge for investors is Government Stamp Duty of 0.5% payable on all share purchases. Any dividends can be reinvested in additional shares or taken as cash, as preferred. Statements and valuations are sent twice yearly. For those investors who use a professional adviser, the Share Plan allows for commission of up to 3% to be paid direct to your adviser.

The Fidelity ISA was launched on 6 April 1999. Like its predecessor, the PEP, it allows you to build up your savings free from personal liability to income and capital gains tax. You are able to invest up to £7,000 in the 2004/2005 tax year. There is an initial charge of 3.5% and, for those investors who use a professional adviser, the ISA allows for commission of up to 3% to be paid directly to your adviser. The full range of Fidelity's investment trusts are available through the ISA. For more information about ISAs, you can request a free guide from Fidelity on 0800 41 41 10.

The PEP – no further PEP investments may be made, but you may transfer your existing PEP with another PEP plan manager to Fidelity without losing the tax free status. Since 6 April 2001 the range of investments that can be held in a PEP has been expanded to correspond with those available for investment in an ISA.

Interest on uninvested cash in a stocks and shares component of an ISA is subject to a 20% flat rate charge, which extinguishes any liability to tax on the interest.

The value of tax savings and eligibility to invest in an ISA or a PEP will depend on individual circumstances and all tax rules may change in the future.

The Fidelity ISA and PEP are offered and managed by Financial Administration Services Limited and the Fidelity Share Plan is offered by Fidelity Investments International. Both companies are authorised and regulated by the Financial Services Authority.

For information on how to invest through the Share Plan, PEP or ISA, please contact your financial adviser or call Fidelity free on **0800 41 41 10.**

Please note that the value of investments and the income from them may fall as well as rise and the investor may not get back the amount originally invested. Past performance is not a guide to future returns. Fidelity only provides information about its products and will not give investment advice. Should you wish to seek advice, please contact an independent financial adviser. For the purpose of Sections 21 and 25 of the Financial Services and Markets Act 2000, the content of this report has been approved by Fidelity Investments International, authorised and regulated by the Financial Services Authority.

Annual General Meeting – with this Report you will find an invitation to attend the AGM at 12 noon on 10 May 2005 at Fidelity's London offices at 25 Cannon Street. It is hoped that as many shareholders as possible, including those who hold their shares through the Share Plan, PEP or ISA, will take this opportunity to meet the Directors and hear a report from the Investment Manager on the progress of your Company. The formal AGM notice can be found on page 44 to 46.

Price Information – the mid-market price of the ordinary shares is published daily in the Financial Times under the heading 'Investment Trusts'. The ordinary share price is also published in The Times, The Daily Telegraph and The Independent. You can also obtain current price information by phoning FT Cityline on 0906 843 4021. The Reuters code for Fidelity Japanese Values is FJV.L.

NAV Information – the net asset value of the Company is calculated on a daily basis and released to the London Stock Exchange.

Capital Gains Tax – your Directors have been advised that, for the purposes of calculating an investor's possible liability to capital gains tax, the base cost of shares and warrants, acquired at the time of the Company's launch, is 90.21p for ordinary shares and 48.94p for warrants. All UK individuals are permitted to have £8,200 of capital gains in the current tax year, ie 2004/2005 (2003/2004 tax year: £7,900) before being liable for capital gains tax. Capital gains are treated as the top slice of income and are taxable at 10% for taxpayers up to the starting rate limit, 20% for basic rate taxpayers or 40% for higher rate taxpayers. The income tax rates for dividends are 10% for income up to the basic tax rate limit and 32.5% for income above that limit.

Financial Calendar – the key dates in the Company's calendar for the year from 31 December 2004:

31 December 2004 - financial year end.

10 March 2005 - announcement of results.

29 March 2005 - publication of this Annual Report.

10 May 2005 - Annual General Meeting.

30 June 2005 - half year end.

July 2005 - announcement of interim results to 30 June.

August 2005 - publication of Interim Report.

Contact Information

Private investors can call free on **0800 41 41 10**, 9am to 6pm, seven days a week.

Financial advisers can call free on **0800 41 41 81**, 8am to 6pm on any business day.

Existing shareholders who have specific queries regarding their holding, for example a change of address, should contact the appropriate administrator:

Holders of ordinary shares – the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
Telephone: **0870 162 3100**
Details of individual shareholdings and other information can also be obtained from the Registrars' website:
http://www.capitaregistrars.com

Fidelity Share Plan investors – Fidelity Investment Trust Share Plan, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA.
Telephone: **0800 41 41 10**
http://www.fidelity.co.uk

Fidelity ISA/PEP investors – Fidelity, using the address or free telephone numbers given above, or by writing to: Financial Administration Services Limited, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ.
http://www.fidelity.co.uk

General Enquiries – should be made to Fidelity, the Investment Manager and Secretary, at the Company's registered office, Fidelity Investments International, Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.
Telephone: **01732 361144**
Fax: **01737 836892**
http://www.fidelity.co.uk

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Fidelity Japanese Values PLC will be held at 25 Cannon Street, London EC4M 5TA, on 10 May 2005 at 12 noon for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 December 2004.

2. To elect Mr Philip Kay as a Director.

3. To elect Mr David Miller, OBE as a Director.

4. To re-elect Mr Simon Fraser as a Director.

5. To re-elect Mr Nicholas Barber, CBE as a Director.

6. To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.

7. To approve the Directors' Remuneration Report for the year ended 31 December 2004.

Special Business

Resolutions 8 and 9 will, if approved, authorise the Directors to allot a limited number of currently unissued ordinary shares for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The limit set by the Board is 5% of the number of ordinary shares of the Company in issue on 10 March 2005. The Directors will only issue new shares under this authority to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so.

To consider and, if thought fit, to pass the following resolutions of which Resolution 8 will be proposed as an ordinary resolution and Resolution 9 as a special resolution:

8. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £1,227,593 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 10 March 2005) such authority to expire at the conclusion of the next Annual General Meeting of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired.

9. THAT, subject to the passing of Resolution 8 set out above, the Directors be and they are hereby authorised, pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority given by the said Resolution 8 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited:

   a) to the allotment of equity securities in connection with a rights issue in favour of all holders of a class of relevant equity securities where the equity securities attributable respectively to the interests of all holders of securities of such class are either proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise); and

b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £1,227,593 (approximately 5 per cent of the aggregate nominal amount of the issued share capital of the Company as at 10 March 2005); and

c) to the allotment of equity securities at a price of not less than the fully-diluted net asset value per share

and this power shall expire at the conclusion of the next Annual General Meeting of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, save that this authority shall allow the Company to make offers or agreements before the expiry of this authority, and the Directors may allot equity securities in relation to such an offer or agreement as if the authority conferred by this resolution had not expired.

Resolution 10 is a special resolution which, if approved, will renew the Company's authority to purchase its shares for cancellation. The limit set by the Board is 14.99% of the number of ordinary shares in issue on 10 March 2005. Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board and in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share, thereby resulting in an increase in the net asset value per share.

10. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 of the Act) of shares of 25p each in the capital of the Company (the "shares") provided that:

    a) the maximum number of shares hereby authorised to be purchased shall be 14,721,297;

    b) the minimum price which may be paid for a share is 25p;

    c) the maximum price which may be paid for a share is an amount equal to 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the share is purchased;

    d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed prior to such time; and

    e) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract.

By Order of the Board
Fidelity Investments International
Secretary
31 March 2005

Notes:

1 A shareholder entitled to attend and vote is entitled to appoint a proxy (or proxies) to attend and, on a poll, vote instead of him. *A proxy need not be a shareholder of the Company.*

2 A form of proxy is enclosed for use by shareholders. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if they so wish.

3 To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrars, Capita Registrars, PO Box 25, Beckenham, Kent BR3 4BR not less than 48 hours before the time for holding the meeting or adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for the taking of the poll at which it is to be used.

4 In the case of joint holders, the vote of the senior who tenders the vote shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.

5 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of Members of the Company at 5.30pm on 8 May 2005 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 5.30pm on 8 May 2005 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

6 Shareholders and any proxies or representatives they appoint agree by attending the meeting that they are expressly agreeing that they are willing to receive any communications, including communications relating to the Company's securities, made at the meeting.

7 No Director has a service contract with the Company.

Registered Office: Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP

CB21746

Directory

Board of Directors

William Thomson (Chairman)

Nicholas Barber, CBE

Simon Fraser

Philip Kay

David Miller, OBE

The Rt Hon Sir John Stanley, MP

Manager, Secretary and Registered Office

Fidelity Investments International

Beech Gate

Millfield Lane

Lower Kingswood

Tadworth

Surrey

KT20 6RP

Financial Advisers and Stockbrokers

Dresdner Kleinwort Wasserstein

20 Fenchurch Street

London

EC3P 3DB

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Southwark Towers

32 London Bridge Street

London

SE1 9SY

Bankers and Custodian

JP Morgan Chase Bank (London Branch)

125 London Wall

London

EC2Y 5AJ

Registrars

Capita Registrars

The Registry

34 Beckenham Road

Beckenham

Kent

BR3 4TU

Lawyers

Slaughter and May

One Bunhill Row

London

EC1Y 8YY

FIDELITY
JAPANESE VALUES PLC

Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey KT20 6RP