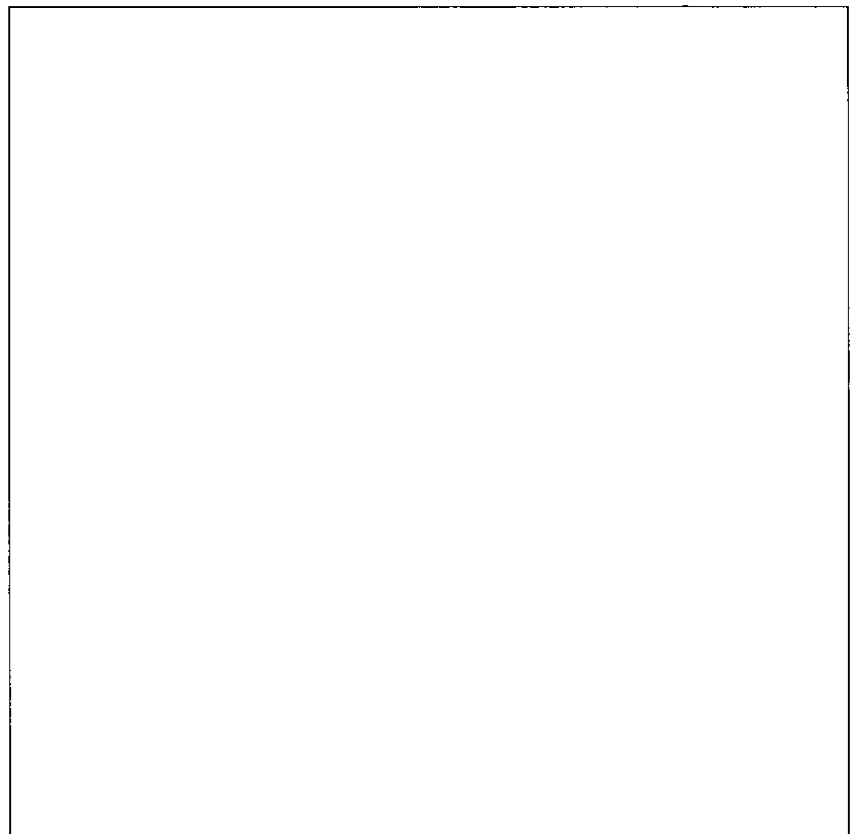


Fidelity Japanese Values PLC

Annual Report

For the year ended 31 December 2012



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Investment Objective and Highlights

The investment objective of the Company 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

Detail of the Company's investment policy is on pages 15 and 16

Performance (year ended 31 December 2012)

Net Asset Value ("NAV") per Ordinary Share Total Return - undiluted	-6.6%
Ordinary Share Price Total Return	-1.7%
Russell Nomura Mid/Small Cap Index* (in sterling terms)	-3.1%

* The Company's Benchmark Index

As at 31 December 2012

Equity Shareholders' Funds	£58.0m
Market Capitalisation	£50.1m
Capital Structure:	
Ordinary shares of 25p each	96,822,685
Subscription shares of 5p each	17,232,149

Standardised Performance - Total Return (%)

	01/01/2012 to 31/12/2012	01/01/2011 to 31/12/2011	01/01/2010 to 31/12/2010	01/01/2009 to 31/12/2009	01/01/2008 to 31/12/2008
NAV per ordinary share - undiluted	-6.6	-6.2	+23.2	+3.7	-19.6
Ordinary share price	-1.7	-8.3	+18.0	+16.2	-28.6

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

Financial Summary

	2012	2011	% change
Assets at 31 December			
Total portfolio exposure ¹	£70.2m	£77.0m	-8.8
Shareholders' funds	£58.0m	£62.5m	-7.2
Contracts for Difference ("CFDs") exposure	£15.2m	£18.2m	-16.5
NAV per ordinary share – undiluted	59.94p	64.17p	-6.6
NAV per ordinary share – diluted ²	59.19p	62.79p	-5.7
Results for year to 31 December – see page 33			
Revenue (loss)/return per ordinary share	(0.06p)	0.02p	
Capital loss per ordinary share	(4.24p)	(4.06p)	
Total loss per ordinary share	(4.30p)	(4.04p)	
Stockmarket Data at 31 December			
Russell Nomura Mid/Small Cap Index (in sterling terms)	1,771.6	1,828.8	-3.1
Yen/£ exchange rate	140.549	119.572	-14.9
Ordinary share price at year end	51.63p	52.50p	-1.7
year high	55.50p	63.25p	
year low	47.88p	47.75p	
Discount at year end – undiluted	13.9%	18.2%	
year high	16.4%	18.7%	
year low	12.8%	3.4%	
Discount at year end – diluted	12.8%	16.4%	
Subscription share price at year end	0.80p	5.70p	-86.0
year high	6.65p	14.75p	
year low	0.68p	5.20p	
Returns for the year to 31 December			
NAV per ordinary share (undiluted) – total return ³	-6.6%	-6.2%	
Ordinary share price – total return	-1.7%	-8.3%	
Russell Nomura Mid/Small Cap Index (in sterling terms)	-3.1%	-9.3%	
Ongoing charges for the year to 31 December ⁴	2.00%	1.98%	

¹ The total exposure of the investment portfolio including exposure to the investments underlying the long CFDs

² The diluted NAV per ordinary share is included in this report since the NAV per ordinary share is greater than the exercise price of the subscription shares. Hence, if the subscription shares had been converted at the year end, the NAV per ordinary share in issue would have been diluted.

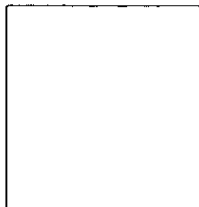
³ The change in the NAV – total return is different to the decrease in shareholders' funds because of the reduction in shareholders' funds due to share repurchases and the dilutive effect on the total return of the exercise of subscription shares during the year at an exercise price less than the NAV per ordinary share.

⁴ Ongoing charges (excluding finance costs and taxation) based on average net asset values for the reporting year (prepared in accordance with methodology recommended by the Association of Investment Companies). Previously referred to as the "total expense ratio".

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

Chairman's Statement



David Robins
Chairman

I have pleasure in presenting the Annual Report of Fidelity Japanese Values PLC for the year ended 31 December 2012

Over three years, since the last continuation vote, the NAV per share has risen by 79% and the share price by 64%. Both compare very favourably with the Company's Benchmark, which only rose by 42%.

PERFORMANCE REVIEW

Over the year to 31 December 2012, your Company's absolute performance was somewhat disappointing. For, although the market rose strongly in yen terms, your Company's NAV per share and share price did not reflect this rise, largely as a result of the depreciation of the yen and the market's focus on larger cap and value stocks.

While the Company's undiluted NAV per share fell by 423p or 6.6%, the ordinary share price fell by only 87p or 1.7%, as the discount narrowed from 18.2% to 13.9%. The share price performance thus compared relatively favourably with the performance of the Russell Nomura Mid/Small Cap Index (sterling adjusted) which fell by 3.1%.

As can be seen from the Attribution Analysis below, Index performance and Index income added 1043p but the gains were offset by the yen's depreciation against the pound, which detracted 1113p. In addition, the Portfolio Manager's focus on

mid and small cap growth stocks, at a time when the market was focused on larger cap and value stocks, meant that stock selection detracted 376p, although the impact of gearing was positive (+090p, calculated on a yen terms basis).

MARKET REVIEW

Global markets finally shrugged off another period of international uncertainty towards the end of the year. For much of 2012, the Eurozone debt crisis, concerns over the Chinese growth outlook and worries over the US fiscal cliff dictated the direction of the Japanese market. However, as fears over these issues abated towards the end of the year, the political leadership transition to a pro-corporate Liberal Democrat Party Government triggered a sharp rebound in share prices. The Japanese equity market ended the year on a high note with TOPIX up 18.0% in Japanese yen terms, although the gain in sterling terms was a modest 0.5%. Mid and small cap stocks underperformed the broader market with the Russell Nomura Mid/Small Cap Index up 13.9% in yen terms, but down 3.1% in sterling terms.

During the year, the Japanese market fell to its lowest point in 29 years as fears of a global slowdown took hold. Weak economic data releases from China and the US, coupled with the growing threat from the Eurozone debt crisis, precipitated a correction in share prices that continued through April and May. Increased risk aversion fuelled demand for the yen as a safe-haven currency, exerting further pressure on Japanese stocks. Improvements in US economic data provided a subsequent boost to sentiment, but Japanese stocks lacked direction. Finally towards the end of the year, expectations for aggressive monetary policies from the Bank of Japan contributed to a weakening of the yen and a robust rally in the stockmarket. "Abenomics," a combination of fiscal and monetary stimuli aimed at reviving the economy and ending two decades of deflation, triggered almost US\$28 billion of foreign inflows into Japanese stocks from November onwards. The correlation between the Japanese stockmarket and the yen/dollar exchange rate

	Year ended 31 December 2012 (pence)
Attribution Analysis	
NAV at 31 December 2011 (undiluted)	64.17
Impact of the Index (in yen terms)	+8.90
Impact of Index Income (in yen terms)	+1.53
Impact of Stock Selection	-3.76
Impact of Gearing (in yen terms)	+0.90
Impact of Exchange Rate	-11.13
Impact of Charges	-1.29
Impact of Share Issues/Share Repurchases	+0.07
Cash/Residual	+0.55
NAV at 31 December 2012 (undiluted)	59.94

Chairman's Statement

remained extraordinarily strong, as Japanese stocks' operating leverage to a weaker yen is high

GEARING

The Company gears through the use of long Contracts For Difference ("CFDs") Total portfolio exposure was £70.2m at the year end, equating to gearing of 21.0% (see page 52 for further details) Using long CFDs continues to provide more flexibility for the Company's needs at a much lower cost than traditional bank debt

THE BOARD

As reported in the last Annual Report, 2012 saw several changes to the Board, with William Thomson stepping down as Chairman of the Company following the Annual General Meeting on 10 May 2012 and Nicholas Barber retiring as a Director with effect from 31 December 2012 William joined the Board in 1997, becoming Chairman at the end of 2004, whilst Nicholas was appointed a Director in 2000 The Board will miss their knowledge and counsel and wish both of them a long and happy retirement

Following William Thomson's retirement I was appointed Chairman, whilst David Miller has kindly agreed to take over from Nicholas Barber as the Company's Senior Independent Director Biographies of the current Directors may be found on page 14 It is considered that the Directors have a wide range of appropriate skills and experience to make up a balanced Board for your Company

SUBSCRIPTION SHARES

The rights attaching to a total of 12,710 subscription shares were exercised in respect of the year ended 31 December 2012, at which point the total number of subscription shares in issue was 17,232,149 A further 7,032,140 subscription shares were exercised between the year end and the final subscription date of 28 February 2013 Following the expiry of the exercise rights there remained 10,200,009 subscription shares in issue

On 1 March 2013, the Company appointed a trustee in respect of the outstanding subscription shares The trustee determined that the net proceeds from the sale of ordinary shares arising on the exercise of the rights attaching to the outstanding shares after the deduction of costs, expenses and fees were higher than the cost of exercising the rights attached to the subscription shares Accordingly, on 1 March 2013 the trustee exercised the subscription rights in respect of 10,200,009 subscription shares on behalf of subscription shareholders and those additional shares arising were sold in the market Further details of the subscription shares may be found in the Directors' Report on page 18

SHARE REPURCHASES

Purchases of ordinary shares for cancellation are made at the discretion of the Company and within guidelines set from time to time by the Board Share repurchases are made in the light of prevailing market conditions, together with their impact on liquidity and gearing Shares will only be repurchased when the result is an enhancement to the net asset value of the ordinary shares for the remaining shareholders During the year a total

of 638,000 ordinary shares (2011: nil) were repurchased for cancellation Your Board continues to believe that the ability to repurchase shares is a valuable tool and, therefore, a resolution to renew your Company's authority to repurchase shares will be proposed at the forthcoming Annual General Meeting

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at midday on 14 May 2013 at Fidelity's offices at 25 Cannon Street, London EC4M 5TA (St Paul's or Mansion House tube station) and all investors are encouraged to attend The Board is looking forward to the opportunity to speak to shareholders The Portfolio Manager will be attending and will give a presentation on the past year and the prospects for the current year

CONTINUATION VOTE

In accordance with the Articles of Association of the Company, an ordinary resolution that the Company continue as an investment trust for a further three years was passed at the 2010 Annual General Meeting A further continuation vote will take place at this year's Annual General Meeting

During the past three years, the Company outperformed the Russell Nomura Mid/Small Cap Index (in sterling terms) The NAV per share increased by 79% on a total return basis, whilst the share price rose by 6.4%, this compared to a gain of 4.2% in the Russell Nomura Mid/Small Cap Index Looking forward, the blend of monetary and fiscal stimulus prescribed by Japan's recently elected Prime Minister, aimed at the final resolution of deflation, is encouraging Furthermore, the Japanese market has finally worked off its valuation premium and now compares very favourably with its own long term history and its global peers on virtually all main measures In this environment, it is more important than ever to identify companies whose growth potential is underestimated by the stockmarket

Hereafter, we would like to examine the case for Japan and our approach to this unique market where many attractive investment opportunities are overlooked

The case for Japan

Japan's challenges are both substantial and well-documented While they should be acknowledged up front there is little need to revisit them at length concerns include the aging of the population, government debt levels, the fiscal deficit and a distinctly mixed approach to corporate governance However, these challenges should not negate the case for continuation of the Company

Rather it is important to be clear that an investment in stocks within a stockmarket is not an investment in that market's economy, that there is at best a weak correlation in any year between stockmarket returns and economic growth, that individual companies need not be exposed only to their home market, that demographics are frequently a distraction for equity investors, and that – crucially – there is a price for every asset

For many years now, being underweight Japan has been a consensus trade of remarkable consistency among international

Chairman's Statement

investors. This has been the right stance for most of the time. But does this mean that investors have all been correct to focus on demographics, government debt, and poor corporate governance? Or could a substantial contributing factor have been that Japan has been undergoing a deserved, but prolonged, multi-year de-rating following the excesses of the bubble years?

Over a period of nearly 25 years, the Japanese market has worked off its valuation premium and now compares favourably with its own long term history and its global peers on the main valuation measures. Yet, investor disdain for Japan has, if anything, intensified, driven by the inertia of consecutive Governments, the challenges facing corporate Japan and the trauma of the 2011 earthquake and its aftermath.

Given the above, we strongly believe that for diversified investors, Japanese equities should still play a role in broader asset allocation policy. Bought at the right price, it makes much sense to invest in a basket of good stocks in a deep but unloved market.

The investment approach

There is limited merit in taking an undifferentiated (e.g. index) approach to a basket of Japan's largest stocks, many of which are most closely associated with Japan's macro challenges and which are large by virtue of past rather than current or future success. However, the broad-brush problems should not be extrapolated to each and every company in Japan, which of course is why stock picking in such a deep market holds attractions. This should be particularly true further down the market cap spectrum. As in other markets, smaller companies have greater flexibility than larger peers, they have a wider variety of growth opportunities, either due to market share gains within stable industries or due to growing – perhaps new – industries, both domestically and abroad, and their equity typically is less well researched and, therefore, less efficiently priced. They may well become the giants of the future.

The Portfolio Manager's approach combines a pursuit of growth (which in the last few years has been a scarce commodity in Japan) with a focus on small caps with multi-year growth drivers. These, as noted above, can offer both flexibility of business models and pricing inefficiencies. He finds, for example, interesting opportunities in companies benefiting from a broad shift towards internet-based consumer services. He also favours companies with strong balance sheets, which have been out of favour in the recent market rally.

At a stock level we find that the Portfolio Manager is clear about his methodology. He feels that he can add more value by identifying mispricing on a company by company basis, rather than by seeking to gain competitive advantage through better than consensus forecasting of macro-economic variables or constructing portfolios primarily on the back of those variables. His rigour on stock valuation is such that he buys into weakness and sells into strength – something which can result in some trading activity given the volatility of the names that he owns.

Outlook

Equity investing in Japan has been a challenging experience for many years now. As a result the Japanese market has fallen off the radar screens of many investors who, in focusing on the ongoing challenges faced at macro and micro levels, may be missing the extent to which Japanese equities have already de-rated over time. Japanese equity remains a large asset class, which has had low ownership for some years and which now offers some very reasonable valuations. Recent political events, and what these may mean for near term growth expectations and the exchange rate, have been treated as a catalyst by a number of investors – but the case for Japan extends further.

As a weak domestic growth environment and poor corporate governance have created headwinds for many stocks, a bottom-up approach is necessary, finding companies which will succeed either at home or overseas. While general investor attitudes towards risk and liquidity may well drive periods of large cap outperformance, over time we would expect medium and small caps to offer a fertile hunting ground for stock picking.

The Board's recommendation

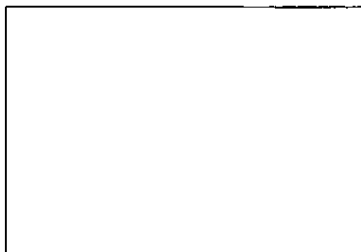
We strongly believe that Japan remains a stock picker's market where our Portfolio Manager's bottom-up approach offers good prospects. Therefore, we recommend that shareholders vote in favour of the continuation vote.

David Robins

Chairman

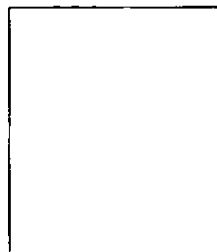
21 March 2013

Manager's Review



FIL INVESTMENTS INTERNATIONAL

The Company is managed by FIL Investments International (which is authorised and regulated by the Financial Services Authority). FIL Investments International is part of the FIL Limited group which, as at 31 December 2012, had total assets under management exceeding £148.7 billion.



SHINJI HIGAKI

Shinji Higaki (Portfolio Manager from September 2007) also manages retail Japanese smaller companies funds and Japanese domestic institutional mandates. He joined Fidelity in 1999 as an equity research analyst. He has an MBA from the London Business School and a Bachelor of Arts from Keio University.

MARKET BACKGROUND

The market environment in 2012 remained difficult for stock pickers, as stockmarkets were driven by "risk-on/risk-off" sentiment and later by the political agenda rather than corporate fundamentals. After rallying strongly at the start of 2012, the Japanese stockmarket started to lose momentum by the second quarter. Below-consensus economic data in China and the US, along with deteriorating conditions in the Eurozone, resulted in renewed risk aversion globally. Statements from various central banks around the world raised expectations of coordinated monetary easing, and stocks recovered some ground in the summer. However, these gains were short-lived. Uncertainty about the outlook for global growth, particularly in China and Europe, contributed to a surge in the yen through September, while political tension with China and negative earnings revisions continued to weigh on the Japanese market. Finally in December, a political leadership change in Japan ignited expectations that a reflationary-minded administration led by prime minister Shinzo Abe would push the Bank of Japan ("BoJ") to implement more aggressive monetary policies. Indeed, Abe's comments on the yen and the role of the BoJ contributed to a sharp move in the yen/dollar rate, from 78 at the start of October to almost 87 by the end of December. The market reaction was both substantial and very pronounced in style: companies with strong balance sheets and profitability lagged behind the rally in December, while stocks which can be said to have weaker fundamentals outperformed. In terms of sectors, pro-cyclical stocks in the financials, materials, and consumer discretionary sectors registered the strongest gains. In contrast, defensive industries underperformed. In terms of style, large-cap value stocks outperformed strongly, whereas small-cap growth names lagged the broader market.

PERFORMANCE REVIEW

The Company's NAV total return underperformed its Benchmark Index after three consecutive years of outperformance. A large

part of the underperformance was sustained during the first quarter and the fourth quarter of the year. In the first quarter, a number of holdings that formed the basis of the Company's strong performance in previous years fell out of favour. In particular, the portfolio's significant exposure to internet-based service companies proved disadvantageous. In the fourth quarter, the portfolio's emphasis on small cap growth stocks, which underperformed in a rally led by large cap value stocks, detracted from performance.

Major detractors from relative returns in 2012 include internet-related service providers CyberAgent, Bit-Isle, and GMO Payment Gateway, which fell on profit taking after having posted strong returns in 2011. Companies that have a large business exposure to China also fell on concerns about China's growth outlook in addition to the Sino-Japan political tensions. Clothing retailer Honeys, which is aggressively expanding its franchise in China, revised down its earnings projections for fiscal 2012. In the materials sector, profit growth at Osaka Titanium Technologies fell short of expectations due to rising material costs.

Elsewhere, stock selection struggled in the electrical machinery sector, where Maruwa and Nidec suffered steep declines. Maruwa, which was among last year's best performers in the portfolio, succumbed to profit taking. Nidec downgraded its earnings guidance for the second half of fiscal 2012. Falling earnings in Hard Disk Drive motors and limited growth potential in electronics and machinery business weighed on investor sentiment towards Nidec. Holdings in lithium-ion battery-related names, including Toda Kogyo and GS Yuasa, also hurt performance.

On a positive note, on-line retailer of machine tools and industrial parts MonotaRO added value. It is aggressively gaining new customers and its monthly sales are growing rapidly. The Portfolio Manager locked in profits on

Manager's Review

semiconductor production equipment maker Nuflare Technology after it had enjoyed a strong rally on the back of Asian semiconductor makers' robust capital investment plans. Holdings in healthcare-related names such as M3 (on-line medical information services for doctors), 3-D Matrix (medical equipment) and Ship Healthcare Holdings (medical equipment wholesaler) fared better particularly in the first half of the review period when "risk-off" sentiment was prevalent.

PORTFOLIO REVIEW

Portfolio positioning is primarily a result of stock selection, rather than asset allocation. Throughout the year, a balance has been maintained between domestic growth names in internet services in the service and information & communication sectors and pro-cyclical stocks in the materials sector. Meanwhile, low growth defensive stocks in foods, utilities, pharmaceuticals and railways remained underweight.

The Portfolio Manager's stock selection strategy continued to focus on companies with sustainable above-market-average growth, strong balance sheets and attractive earnings multiples relative to their growth potential. The rapid growth in internet services and social networking services that is accompanying the rising use of smartphones explains the portfolio's relatively large exposure to internet-related names in the services and the information & communication sectors. Key holdings in this area are Bit-Isle and Kakaku.com. Bit-Isle, which operates internet data centres, has sustained a period of share price weakness, but there is no change to its long term growth potential driven by strong usage of cloud services by social network gaming providers and telecom carriers. Kakaku.com, which provides price comparison services and product information, has been enjoying robust growth in monthly users and page view per user. The Portfolio Manager has frequent contact with these companies and retains confidence in their growth trend. During the year the Portfolio Manager initiated a position in Cookpad, a fast-growing niche consumer service provider specialised in on-line cooking recipe posting and searching. In the meantime, positions in on-line gaming companies Gree and DeNa were sold, as newly introduced regulations had changed their growth outlook. The position in on-line advertising agency CyberAgent was also sold, as the Portfolio Manager anticipated that its profit margins would remain under pressure from increasing sales promotion costs.

Pro-cyclical stocks in the materials sector remained overweight in the portfolio. During the year, the Portfolio Manager started to build a large overweight position in LIXIL Group, a holding company of Japan's five leading manufacturers of housing facilities and building materials. A sharp decline in its share price triggered by disappointing results for the 2011 fiscal year presented an excellent entry point. Its business restructuring is expected to accelerate and cost reductions should start to contribute to a recovery in profit margins in the future.

While holdings in electronic component makers fared poorly, the Portfolio Manager selectively maintained overweight positions in Maruwa and Nidec, as they are well-positioned to recover well in 2013 based on their superior pricing power. Meanwhile, profits

were taken in Nuflare Technology, whose share price met the Portfolio Manager's target price after a strong rally. Positions were closed in GS Yuasa and Toda Kogyo as their lithium-ion battery business would remain under pressure from customers' sluggish sales of electric vehicles.

Elsewhere, the Portfolio Manager continued to favour leasing and consumer credit, which have more room to grow assets in overseas markets and enjoy better fundamentals. Their relative valuations are also more attractive. Hitachi Capital and Aeon Credit Service are key holdings. While the portfolio is underweight in banks, a position was initiated in Shinsei Bank, whose earnings growth potential appears to be underestimated by the market.

OUTLOOK

Familiar concerns about Japanese demographics and shareholder friendliness (not just corporate governance but also communication style) may have caused many foreign investors to overlook the extent to which Japanese equities have de-rated over time. The fourth quarter rally has certainly caused many to sit up and take notice, and overseas interest in Japanese equities has increased, but the buying has only narrowed and not reversed the generally underweight position held by global investors.

It is likely that some confirmation that expansionary fiscal and monetary policies are indeed being implemented and that a re-acceleration in corporate earnings is underway will be required to sustain the recent rally. The above commentary notwithstanding, it is worth reiterating that the Portfolio Manager pursues a bottom-up strategy. This strategy is driven by research to find mis-priced stocks and the resultant portfolio based on that analysis, rather than having a more accurate forecast than consensus on the future of the yen/dollar exchange rate or of Japanese GDP growth. Thus while Japan's stockmarket is highly correlated to the direction of the yen, movements in the currency have disguised significant underlying developments at a corporate level. The strong yen in recent years has forced many management teams to become substantially more productive, resulting in more efficient organisations and positive operating leverage into any increase in volumes on the back of greater competitiveness. The high profile travails of elements of the consumer electronics sector – squeezed by American, Korean, and Chinese competitors – have captured many headlines. However, Japan is in a position to be a global market leader in other less visible sectors such as auto parts, factory automation, and medical equipment. This is not always adequately recognised by global investors. Individual stock picking enables the Portfolio Manager to look beyond headline movements in the currency market to analyse individual companies' success or failure at strategy and execution.

The Japanese stockmarket remains large, deep and liquid. The Portfolio Manager seeks to take advantage of this to find companies which can grow over time, either through market share gains or through industry expansion, both domestically and overseas, irrespective of broader economic trends.

Manager's Review

While Japan's challenges should not be understated, they are now not so dissimilar to those of some other major economic blocs, most notably Europe. While many investors focus on those challenges, the extent to which the Japanese equity market has been de-rated since the bubble of the late 1980s should not be ignored. This is now an asset class which can be valued on equivalent measures to markets elsewhere in Asia and the world, which is wholly positive. For many people Japan appears to have fallen off the radar screen altogether despite the fact that it is the world's second largest stockmarket with some high quality companies, and some reasonable valuations. Both foreign investment management firms and foreign investment banks have substantially cut their presence in Japan – against which background Fidelity's commitment and resources stand out.

FIL Investments International

21 March 2013

Ten Largest Investments as at 31 December 2012

Ten Largest Investments, including long CFDs The Full Portfolio Listing is set out on pages 50 to 52	Exposure £'000	Fair value ¹ £'000	Total Exposure % ²
LIXIL Group Produces building materials and housing equipment	2,343	2,343	3.3
Sekisui Chemical (CFD) Constructs houses and produces housing materials, high-performance plastic segments and flat panel displays	2,251	577	3.2
Maruwa Manufactures ceramic electronic components	2,016	2,016	2.9
Honeys Manufactures and retails clothing	1,969	1,969	2.8
Takata (CFD) Develops and manufactures safety products for automobiles	1,966	(247)	2.8
Bit-Isle Provides information technology services	1,947	1,947	2.8
Kakaku.com (CFD) Provides price comparison services and product information	1,752	333	2.5
M3 (CFD) Provides medical related internet services	1,612	456	2.3
Sumitomo Rubber (CFD) Produces a wide range of rubber based products	1,447	169	2.0
1st Holdings Provides software services	1,398	1,398	2.0
Ten Largest Investments (2011 29.2%)	18,701	10,961	26.6
Other Investments (2011 70.8%)	51,541	45,766	73.4
Total Portfolio (including long CFDs)	70,242	56,727	100.0

¹ Fair value represents the carrying value in the Balance Sheet on page 35

² % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs

Distribution of the Portfolio as at 31 December 2012

Investments (including long CFDs)	2012 % ¹	2011 % ¹
Chemicals	13.2	16.2
Services	10.2	13.5
Electrical Machinery	9.6	7.5
Information & Communications	7.6	10.0
Retail Trade	6.9	6.3
Transport Equipment	6.9	6.5
Machinery	5.7	8.2
Metal Products	5.1	1.4
Banks	4.0	2.7
Glass & Ceramics	3.8	5.6
Rubber Products	3.5	2.2
Wholesale Trade	3.5	3.0
Other Financing Business	3.1	0.8
Insurance	2.2	1.8
Precision Instruments	2.1	2.5
Real Estate	2.1	2.2
Non-ferrous Metals	2.0	2.7
Construction	1.9	1.2
Foods	1.3	-
Other Products	1.3	0.7
Land Transportation	1.2	1.0
Pharmaceuticals	1.2	0.9
Textiles & Apparel	1.1	1.1
Securities	0.5	0.1
Steel Products	-	1.8
Pulp & Paper	-	0.1
Total	100.0	100.0

¹ % of the total exposure of the Investment portfolio, including exposure to the investments underlying the long CFDs

Summary of Performance

Historical Record as at 31 December	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Total portfolio exposure (£m) ¹	70	77	79	68	75	79	92	137	86	76	59
Shareholders' funds (£m)	58	63	65	53	51	65	78	121	70	59	42
NAV per ordinary share (p) – undiluted	59.94	64.17	68.44	55.56	53.58	66.67	79.59	123.56	71.26	60.42	42.82
NAV per ordinary share (p) – diluted	59.91	62.79	66.21	55.47	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ordinary share price (p)	51.63	52.50	57.25	48.50	41.75	58.50	73.50	130.25	61.75	51.00	35.00
Warrant price (p)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.35	1.50
Subscription share price (p)	0.80	5.70	11.75	8.28	n/a	n/a	n/a	n/a	n/a	n/a	n/a
(Discount)/premium to NAV % – undiluted	(13.9)	(18.2)	(16.4)	(12.7)	(22.1)	(12.3)	(7.7)	5.4	(13.3)	(15.6)	(18.3)
(Discount)/premium to NAV % – diluted	(12.8)	(16.4)	(13.5)	(12.6)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Revenue (loss)/return per ordinary share (p)	(0.06)	0.02	(0.30)	(0.73)	(0.12)	(0.49)	(0.68)	(1.02)	(0.89)	(0.65)	(0.69)
Dividend per ordinary share (p)	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil
Ongoing charges (%) (cost of running the Company)	2.00	1.98	2.08	2.17	1.98	1.65	1.46	1.83	1.83	1.93	1.63
Gearing (%) ²	21.0	23.2	20.9	3.8	28.5	20.7	16.9	11.5	22.0	22.6	32.6
NAV per ordinary share performance – undiluted (%)	-6.6	-6.2	+23.2	+3.7	-19.6	-16.2	-35.6	+73.4	+17.9	+41.1	-19.4
NAV per ordinary share performance – diluted (%)	-5.7	-5.2	+19.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ordinary share price performance (%)	-1.7	-8.3	+18.0	+16.2	-28.6	-20.4	-43.6	+110.9	+21.1	+45.7	-15.2

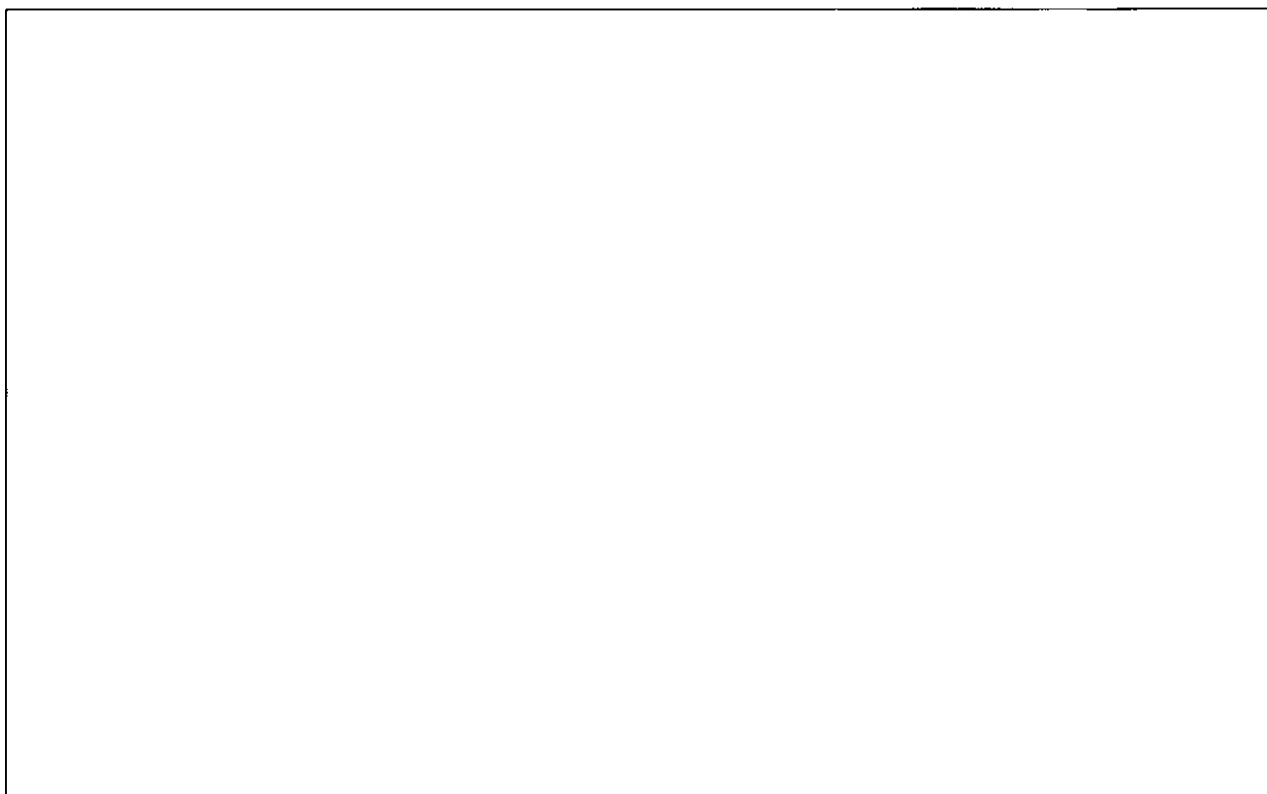
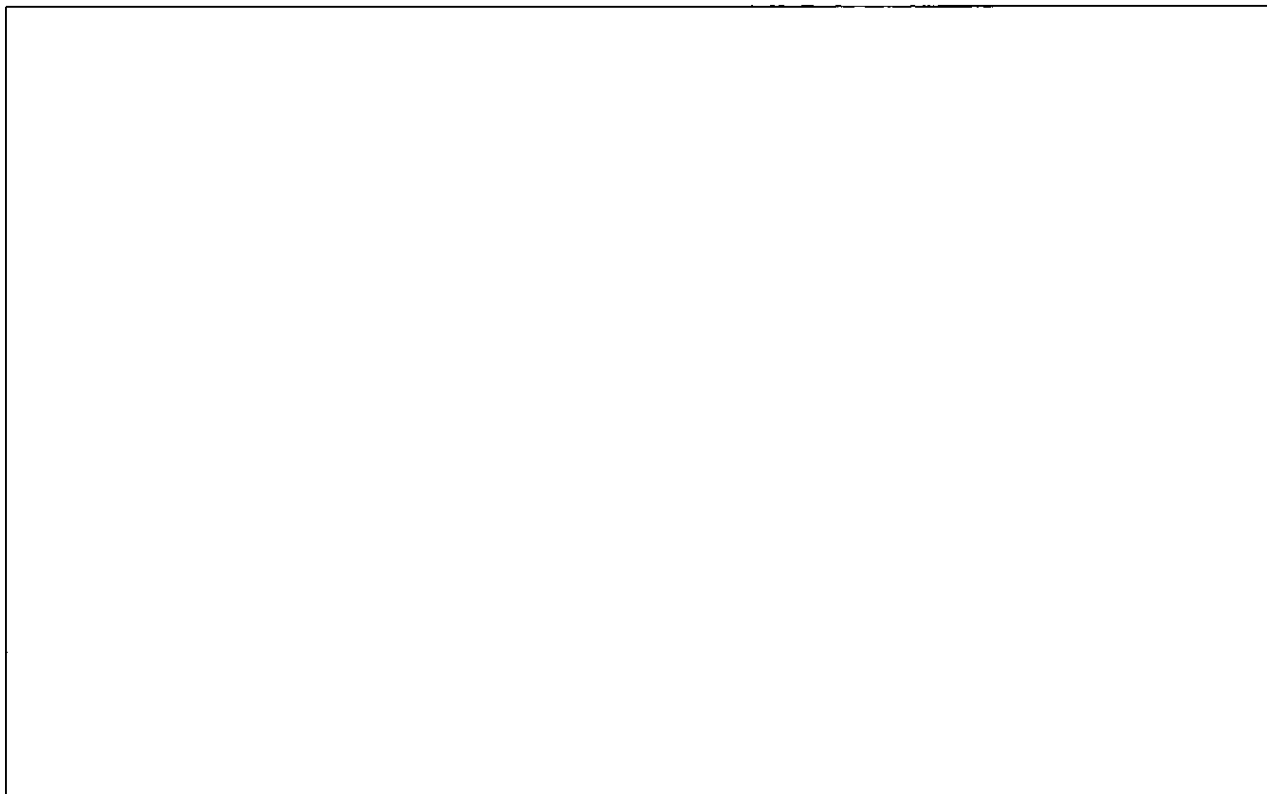
¹ The total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs. The amounts prior to 2009 represent total assets less creditors, excluding bank loans.

² Total portfolio exposure in excess of shareholders' funds. The amounts prior to 2009 represent total assets less cash and creditors, excluding bank loans, in excess of shareholders' funds.

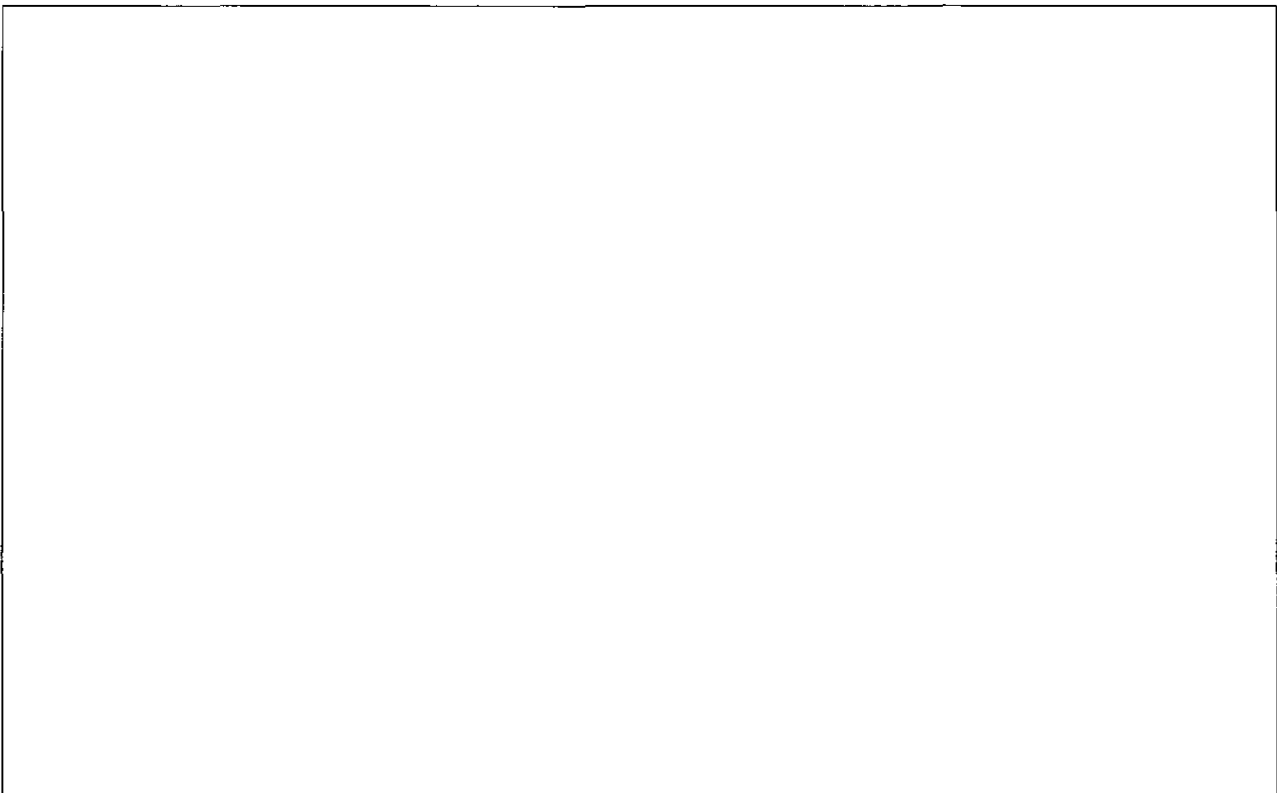
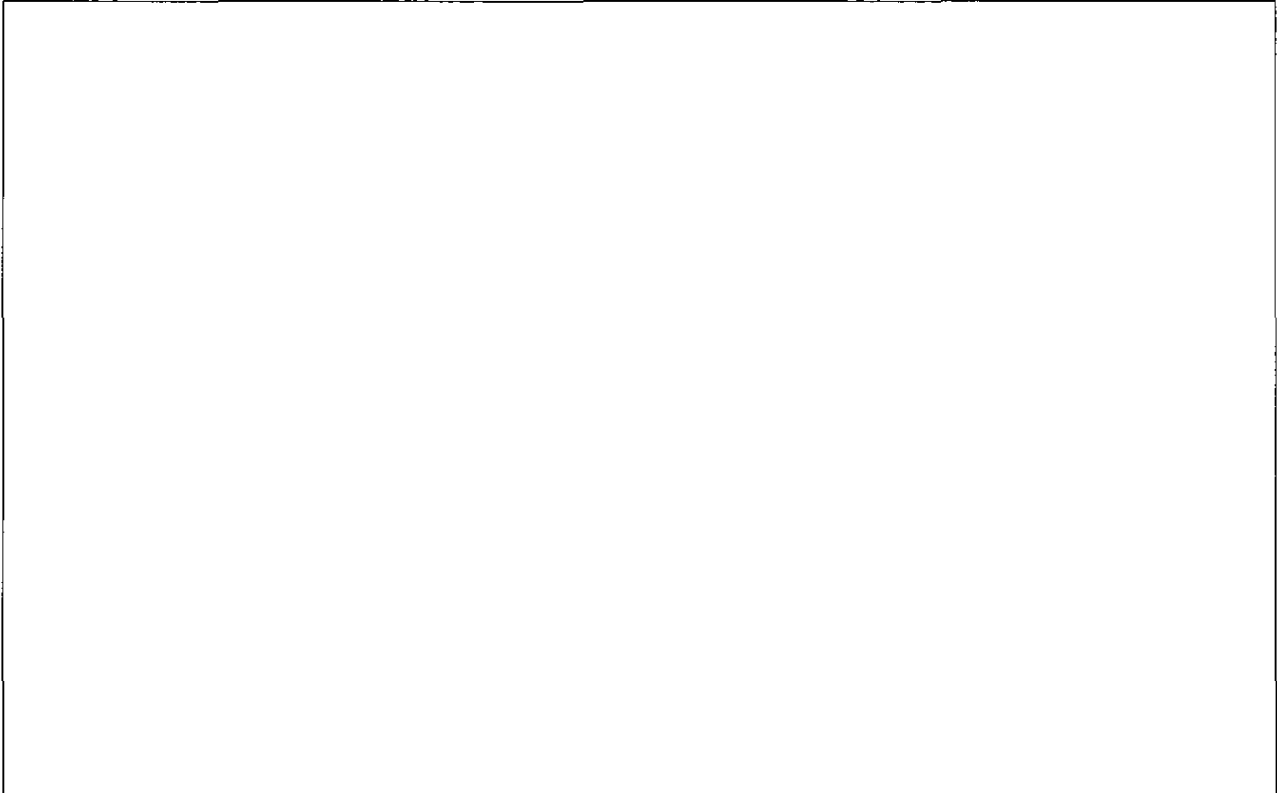
Sources: Fidelity and Datastream

Past performance is not a guide to future returns

Summary of Performance



Summary of Performance



Current Board of Directors

David Robins¹

(Chairman) (Date of appointment 1 February 2011, date of appointment as Chairman 10 May 2012) is Chairman of Oriel Securities Limited, the privately owned corporate and institutional stockbroking and advisory firm. In addition he is Chairman of the Asian Total Return Investment Company plc, the Governors of Eltham College and the Hackney Empire Limited. Previously, he was Chairman and Chief Executive of ING Barings following

a number of years with UBS, most recently as Executive Vice President Europe and Chief Operating Officer Region Europe having spent several years in Zurich, New York and Tokyo. Prior to this he was, in succession, a Japanese Economist at the Bank of England, an Executive in the Japanese department of James Capel and then Far Eastern Economist and subsequently Chief International Economist at Philips and Drew. He began his career with the Commonwealth Bank in Sydney.

Simon Fraser²

(Date of appointment 11 May 2000) spent 27 years at Fidelity but retired from his executive responsibilities at the end of 2008. He started his career at Fidelity in 1981 as an analyst and 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 the position of Chief Investment Officer for Fidelity International, a position he held until 2005. He

was the Portfolio Manager for Fidelity Japanese Values PLC from its launch in 1994 until August 1997. He is Chairman of Foreign and Colonial Investment Trust plc and Merchants Trust plc. He is also a director of Barclays PLC, Barclays Bank PLC, Ashmore Group plc and Fidelity European Values PLC.

Sir Laurence Magnus¹

(Chairman of the Audit Committee) (Date of appointment 1 October 2010, appointed as Chairman of the Audit Committee 12 May 2011) is a Senior Advisor to Evercore Partners, the US owned corporate finance advisory business, Deputy Chairman of The National Trust and a director or trustee of a number of private companies and charities. Previously, he worked for Samuel Montagu & Co Limited (HSBC Investment Bank) in a corporate finance

advisory capacity, including a number of years spent in Singapore with responsibilities in South East Asia. He was subsequently, in succession, a director of Phoenix Securities, a Managing Director of Donaldson, Lufkin and Jenrette and a Managing Director of Credit Suisse First Boston before joining Lexicon Partners in 2001, initially as Deputy Chairman and subsequently as Chairman prior to its merger with Evercore. He is Chairman of J P Morgan Income & Capital Trust PLC and a director of The Cayenne Trust PLC and Pantheon International Participations plc.

David Miller, OBE¹

(Date of appointment 29 October 2004, date of appointment as Senior Independent Director 1 January 2013) is a director of FBG Investment Limited and a number of other unquoted companies. 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.

Philip Kay¹

(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.

¹ Member of the Audit, Management Engagement and Nomination Committees

² Member of the Audit and Nomination Committees

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2012

BUSINESS AND STATUS

The Company was incorporated in England and Wales with the registered number 2885584. The Company carries on business as an investment trust and has been granted approval as such by HM Revenue & Customs under Sections 1158 and 1159 of the Corporation Tax Act 2010. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under that Act.

The Company is registered as an investment company as defined in Section 833 of the Companies Act 2006 and operates as such. It is not a close company and has no employees.

BUSINESS REVIEW

INTRODUCTION

This section of the Directors' Report provides a fair review of the Company and a description of the principal risks and uncertainties faced. It includes an analysis of the performance of the Company, both during the financial year and the position at the year end, taking into account its objective, strategy and risks and how these are measured using Key Performance Indicators. A review of the year's activities and an indication of likely future developments and the factors likely to affect this are given in the Chairman's Statement on pages 3 to 5 and in the Manager's Review on pages 6 to 8. The Board supports these views.

OBJECTIVE

The primary objective of your Company is to enhance shareholder value, achieved through long term capital growth. The Company seeks to achieve this with an actively managed portfolio of investments, consisting primarily of small and medium sized Japanese companies listed or traded on Japanese stockmarkets. As part of the strategy, the Board has delegated the management of the investment portfolio and certain other services to FIL Investments International. The Manager will aim to achieve a capital return on the Company's total assets over the longer term in excess of the equivalent return on the Russell Nomura Mid/Small Cap Index, as expressed in sterling.

INVESTMENT POLICY

The markets in which the Company may invest will comprise primarily the Tokyo Stock Exchange, the JASDAQ and the regional stockmarkets of Fukuoka, Nagoya, Osaka and Sapporo. In order to diversify the Company's portfolio, the Board has set guidelines for the Manager to restrict investment to a maximum of 7.5% in the aggregate of all securities of any one company or other investment entity (10% for any group of companies) at the time of purchase, which is further limited to 12% of the Company's equity portfolio based on the latest market value.

The Company is permitted to invest up to 30% of its assets (at the time of acquisition) in equity-related and debt instruments. The Company may also invest in derivatives for efficient portfolio

management to protect the portfolio against market risk. However, any such investment would normally be at a low level and the Company invests primarily in shares.

The Company may invest up to 5% of its assets (at the time of acquisition) in securities which are not listed on any stock exchange or traded on the JASDAQ market, but the Company would not normally make any such investment except where the Manager expects that the securities would shortly become registered for trading on the OTC market or become listed on a Japanese stockmarket.

A maximum of 15% of the Company's total assets may be invested in the securities of other investment trust companies. As at 31 December 2012 there were no such holdings in the Company's portfolio (2011: nil).

The Company's investment policy was amended on 10 November 2009 to permit gearing through Contracts For Difference ("CFDs") following the repayment of the Company's bank loans.

The Company's policy is to be geared in the belief that long term investment returns will exceed the costs of gearing. This gearing is obtained through the use of borrowing and/or through the use of CFDs to obtain exposure to Japanese equities selected by the Manager. The effect of gearing is to magnify the consequence of market movements on the portfolio and if the portfolio value rises the NAV will be positively impacted, but if it falls the NAV will be adversely impacted. The Board is responsible for the level of gearing in the Company and reviews the position on a regular basis. The aggregate exposure of the Company to Japanese equities, whether held directly or through CFDs, will not exceed shareholders' funds by more than 30% at the time at which any CFD is entered into or a security acquired. The Board also intends that the exposure will not exceed shareholders' funds by more than 40% at any other time unless exceptional circumstances exist.

It should be stressed that the majority of the Company's exposure to Japanese equities will be through direct investment, not CFDs. In addition, the limits on exposure to individual companies and groups set out above will be calculated as if the Company had acquired the securities to which any CFD is providing exposure (i.e., on a total exposure basis).

The investment in Japanese equities achieved through borrowings and/or CFDs will be subject to the acquisition limits set out above and such amounts will not exceed 30% of shareholders' funds at the time of the exposure. Generally, the maximum that the Company will hold in cash will be 25% of the total value of the Company's assets, but this limit will not include any cash or cash equivalent paid as collateral for unrealised losses on CFDs. In practice the cash position will normally be much lower.

The spread of risk within the Company's portfolio is achieved by having exposure to a wide range of stocks which are chosen on their individual merits.

Directors' Report

Details of the Company's Ten Largest Investments can be found on page 9, and the Full Portfolio Listing can be found on pages 50 to 52

FIDELITY'S INVESTMENT MANAGEMENT PHILOSOPHY, STYLE AND PROCESS

Fidelity's investment approach is "bottom up" stock picking – investing in companies on the basis of their underlying strengths, facilitated by extensive research

capabilities. Fidelity Worldwide Investment has more than 180 analysts and research associates, including 25 based in Tokyo. Fidelity's analysts evaluate companies, meet their management and workforce and interpret the effects of international and local events. They contact hundreds of companies every week. Portfolio managers work closely with the Fidelity analyst team and also have access to a wide range of research produced by third parties.

KEY PERFORMANCE INDICATORS ("KPIs")

Given the Company's objective and strategy, the Board has identified the KPIs against which performance can be measured as net asset value and ordinary share price. Further details on this are provided below.

	Year ended 31 December 2012	3 Years ended 31 December 2012	5 Years ended 31 December 2012
Net Asset Value per ordinary share Total Return (undiluted)	-6.6%	+7.9%	-10.1%
Ordinary Share Price Total Return	-1.7%	+6.4%	-11.8%
Russell Nomura Mid/Small Cap Index (in sterling terms)	-3.1%	+4.2%	+2.0%

Sources: Fidelity and Datastream
Past performance is not a guide to future returns.

As well as the statistics set out above, the Directors also regularly monitor other relevant statistics, including:

- Investment performance compared to the Company's peer group,
- The level of gearing,
- The Company's ongoing charges, and
- The discount or premium of the Company's ordinary share price to net asset value.

The Directors also monitor the various factors contributing to investment results, as set out in the Attribution Analysis table in the Chairman's Statement on page 3.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The process is regularly reviewed by the Board in accordance with the Financial Reporting Council's ("FRC's") "Internal Control: Revised Guidance for Directors".

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. An internal controls report providing an assessment of risks, together with controls to mitigate these risks, is prepared by the Manager and considered by the Audit Committee.

The Board also determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

Market Risk

The Company's assets consist mainly of listed securities and the principal risks are therefore market related such as market downturn, interest rate movements and exchange rate movements. The Portfolio Manager's success or failure to protect

and increase the Company's assets against this background are core to the Company's continued success.

Risks to which the Company is exposed and which form part of the market risks category are included in Note 17 to the financial statements on pages 45 to 48 together with summaries of the policies for managing these risks. These comprise: market price risk (comprising interest rate risk, foreign currency risk and other price risk), liquidity risk, counterparty risk, credit risk and derivative instruments risk.

Performance Risk

The achievement of the Company's performance objective relative to the market requires the application of risk. Strategy, asset allocation and stock selection might lead to underperformance of the Benchmark Index and target.

Management of these risks is carried out by the Board. The Company has a clearly defined strategy and investment remit. There is a clearly defined management agreement, and borrowing/derivative limits are also set by the Board.

Directors' Report

The Board relies on the Manager's skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors. The portfolio is managed by a highly experienced Portfolio Manager, supported and overseen by the Manager's Investment team.

The Board reviews the performance of the asset value of the portfolio against the Company's Benchmark and competitors and the outlook for the market with the Manager at each Board meeting. The emphasis is on long term investment performance and the Board accepts that by targeting long term results the Company risks volatility in the shorter term.

Share Price Risk

The Board is not able to control the prices at which the Company's ordinary shares trade, they may not reflect the value of the underlying investments. However, it can have a modest influence in the market by maintaining the profile of the Company through an active marketing campaign and, under certain circumstances, through repurchasing shares. Details of repurchases during the year are given on pages 18 and 19. The Company's share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board at each of its meetings.

Currency Risk

The Company's total return and Balance Sheet are affected by foreign exchange movements because the Company has assets and income which are denominated in yen whilst the Company's base currency is sterling. While it is the Company's policy not to hedge currency, the fact that gearing by way of long CFDs are in yen means that part of the investment portfolio funded by gearing is naturally hedged against changes in the yen sterling exchange rate. Further details can be found in Note 17 to the financial statements on pages 45 to 48.

Gearing Risk

The Company has the option to invest up to the total of any loan facilities or to use CFDs to invest in equities. The principal risk is that while in a rising market the Company will benefit from gearing, in a falling market the impact would be detrimental. Other risks are that the cost of gearing may be too high or that the term of the gearing inappropriate in relation to market conditions. The Company currently has no bank loans and geared exposure is being achieved through the use of long CFDs. A day to day overdraft facility can be used if required. This has reduced the cost of gearing and provides greater flexibility. The Board regularly considers gearing and gearing risk and sets limits accordingly. Further details are provided in the Investment Policy.

Tax and Regulatory Risks

A breach of Section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status, resulting in the Company being subject to tax on capital gains. A breach of other legal and regulatory rules may lead to suspension from listing on the Stock Exchange or a qualified audit report. The Board receives regular reports from the Manager confirming regulatory compliance during the year.

There are a number of prospective regulations which could impact the Company. Of greatest significance is the Alternative Investment Fund Managers Directive ("AIFMD"). The implementation date for the Directive is scheduled to be July 2013 but with a transitional period whereby investment trusts will not be required to apply for AIFMD authorisation until July 2014. The Board monitors the changes at each Board meeting and is provided with regular briefings from the Association of Investment Companies ("AIC") as well as details of industry and the Manager's lobbying activities.

Operational Risks

The Company has no employees and relies on a number of third party service providers, principally the Manager, Registrar and Custodian. The Company is dependent on the Manager's control systems and those of its Custodian and Registrar, both of which are monitored and managed by the Manager in the context of the Company's assets and interests on behalf of the Board.

The security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements, among other things, rely on the effective operation of such systems. The Manager, Registrar and Custodian are subject to a risk-based programme of internal audits by the Manager. In addition, service providers' own internal controls reports are received by the Board and any concerns investigated.

While it is believed that the likelihood of poor governance, compliance and operational administration by third party service providers is low, the financial consequences could be serious, including the associated reputational damage to the Company.

Financial Instrument Risks

The financial instrument risks faced by the Company are shown in Note 17 to the financial statements on pages 45 to 48. The additional risk to the Company of using long CFDs rather than traditional forms of borrowing is that the Company does not own the Japanese equities to which the long CFDs give exposure and is at risk if the counterparty defaults, for example for insolvency reasons. The balance on all outstanding long CFDs is calculated on a daily basis with collateral then adjusted so that collateral equal to the outstanding balance has been recognised, although no collateral adjustment is made where the outstanding balance is less than US\$1 million. This results in a potential exposure, which could be increased due to settlement practices and timing differences, to a maximum of US\$1 million plus three days' unrealised trading profits.

Other Risks

A continuation vote takes place every three years. There is a risk that shareholders do not vote in favour of the continuation vote during periods when performance is poor. Further details are provided in the Chairman's Statement on pages 4 and 5, in relation to the next continuation vote and a review of performance.

Directors' Report

ENVIRONMENTAL, EMPLOYEE, SOCIAL AND COMMUNITY MATTERS

The Company is managed by FIL Investments International, has no employees and all of its Directors are non-executive. The Company's day to day activities are all conducted by third parties. There are therefore no disclosures to be made in respect of employees.

The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. FIL Investments International is registered with the Carbon Reduction Commitment Energy Efficiency Scheme administered by the UK Environment Agency.

The Company's financial reports are printed by a company which has received the relevant accreditations for its environmental awareness and further details of this may be found on the back cover of this report. Financial reports and other publicly available documentation are also available on the Company's website www.fidelity.co.uk/its. Details about Fidelity's own community involvement may be found on its website www.fidelity.co.uk.

SOCIALLY RESPONSIBLE INVESTMENT

The Manager's primary objective is to produce superior financial returns to investors. It believes that high standards of corporate social responsibility ("CSR") make good business sense and have the potential to protect and enhance investment returns. Consequently, its investment process takes social, environmental and ethical issues into account when, in its view, these have a material impact on either investment risk or return. The Manager recognises and supports the view that social, environmental and ethical best practice should be encouraged so long as the potential for financial return is not reduced. It favours companies committed to high standards of CSR and to the principles of sustainable development.

The Manager does not set out to manage an "ethical investment fund" and does not screen out companies from its investment universe purely on the grounds of poor social, environmental or subjective ethical records. Instead it adopts a positive engagement approach whereby social, environmental and ethical matters are discussed with management with the aim of improving procedures and attitudes. The Manager believes that this is the most effective way to improve the attitude of business towards CSR and the Board endorses this approach.

CORPORATE ENGAGEMENT

The Board believes that the Company should, where appropriate, take an active interest in the affairs of the companies in which it invests and that it should exercise its voting rights at their general meetings. Unless there are any particularly controversial issues (which are then referred to the Board) it delegates the responsibility for corporate engagement and shareholder voting to the Manager. These activities are reviewed annually.

GENERAL

RESULTS AND DIVIDENDS

The revenue column of the Income Statement on page 33 shows a net loss on ordinary activities after taxation for the year of £55,000. As the revenue reserve is in deficit as at 31 December 2012, the Directors do not recommend the payment of a dividend.

SHARE CAPITAL AND SUBSCRIPTION SHARES

During the year under review, the Company's issued share capital comprised of ordinary shares of 25 pence each and subscription shares of 5 pence each. As at 31 December 2012 the total number of ordinary shares in issue was 96,822,685 (2011 97,447,975). Each ordinary share in issue carries one vote. Deadlines for the exercise of voting rights and details of arrangements by which someone other than the shareholder can exercise voting rights are detailed in the Notes to the Notice of Meeting on pages 54 and 55.

Each subscription share gave the holder the right, but not the obligation, to subscribe for one ordinary share at the end of each month until the end of February 2013 inclusive at the exercise price of 55 pence per share. During the year ended 31 December 2012, the rights attaching to a total of 12,710 subscription shares were exercised. As at 31 December 2012, the total number of subscription shares in issue was 17,232,149 (2011 17,244,859). Details of the treatment of subscription shares for capital gains tax purposes may be found on page 56.

The right of subscription shareholders to subscribe for ordinary shares expired on 28 February 2013. A total of 7,032,140 subscription shares were exercised between 1 January 2013 and the final subscription date of 28 February 2013. Immediately following the final subscription date, 10,200,009 subscription shares remained in issue. On 1 March 2013, the Company appointed a trustee in respect of the outstanding subscription shares. The trustee determined that the net proceeds from the sale of ordinary shares arising on the exercise of the rights attaching to the outstanding subscription shares after deduction of costs, expenses and fees were higher than the cost of exercising the rights attached to the subscription shares. Accordingly, on 1 March 2013 the trustee exercised the subscription rights in respect of 10,200,009 subscription shares on behalf of the subscription shareholders. These shares were sold in the market and the net proceeds after exercise costs have been distributed to the holders of the subscription shares.

SHARE ISSUES

Other than the issue of ordinary shares following the exercise of rights attaching to subscription shares as detailed on this page, no shares were issued during the year (2011 nil).

SHARE REPURCHASES

At the Annual General Meeting held on 10 May 2012 the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to 14,608,000

Directors' Report

ordinary shares and 2,584,000 subscription shares in the market for cancellation. A total of 638,000 ordinary shares were repurchased for cancellation during the year (2011 nil). No subscription shares were repurchased for cancellation during the year (2011 nil). The authority expires on 14 May 2013 and a special resolution to renew the authority will therefore be put to shareholders for approval at the forthcoming Annual General Meeting.

Since the year end, a further 100,000 ordinary shares were repurchased for cancellation. The issued share capital as at 21 March 2013 was 113,954,834.

POLITICAL AND CHARITABLE DONATIONS

The Company has not made any political or charitable donations in the year (2011 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 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 (2011 nil). Other suppliers are paid in accordance with the individual payment terms agreed with each supplier.

MANAGEMENT COMPANY

A Management and Secretarial Services Agreement (the "Agreement") dated 6 February 2006 and amended on 18 January 2011 and 22 August 2012 was made between the Company and FIL 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 Corporate Governance Statement on page 28.

The Manager also provides certain other services, including marketing and administration, in connection with the Fidelity Investment Trust Share Plan and the Fidelity Individual Savings Account. Fees payable under this Agreement for the year to 31 December 2012 were £62,000 (2011 £58,000).

An amount of £222,000 (2011 £133,000) was due to the Manager under the above agreements at 31 December 2012 and is included in "other creditors" in Note 11 on page 42.

Fidelity has adopted a broker segmentation policy, which has reduced the number of brokers used, and allows it to concentrate on those brokers who, in its opinion, offer the best service in terms of overall execution. These brokers are Fidelity's "core" brokers. At the same time, the Manager evaluates the research provided by other brokers and uses some of them for their research. These brokers are called Secondary State Research firms ("SSRs"). As a consequence of this policy, the "core" brokers earn a larger percentage of the commission paid. These "core" brokers pay away some of this commission earned

to the SSRs to compensate them for the research provided to Fidelity. Under FSA regulations this type of payment from one broker to another is currently treated as "softing". The Manager's soft commission policy complies with the UK regulations.

Fidelity adopts a best execution policy that applies to all transactions in all instruments, regardless of the fund or account or location of the trading desk. 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. The Manager has an arrangement with certain brokers whereby a portion of commissions from security transactions may be paid to the Company to reduce transaction costs. Amounts received by the Company under this arrangement are credited to capital. In the year to 31 December 2012 no monies were received (2011 nil).

FIL Investments International is a member of the FIL Limited group of companies. As at the date of this report FIL Limited has an interest in 8,224,920 ordinary shares in the Company (7.22%) on its own account.

DIRECTORS

The following Directors served during the year:

David Robins (Chairman)
Simon Fraser
Philip Kay
Sir Laurence Magnus
David Miller
Nicholas Barber (resigned with effect from 31 December 2012)
William Thomson (resigned with effect from 10 May 2012)

Details of the current Directors are set out on page 14.

David Robins was appointed Chairman on 10 May 2012, following the retirement of William Thomson.

All of the Directors are non-executive. 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 in relation to Simon 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 current Directors in the ordinary and subscription shares of the Company as at 31 December 2012 and 31 December 2011 were as in the tables on page 20.

Directors' Report

	31 December 2012 ordinary shares	31 December 2011 ordinary shares
Simon Fraser ¹	35,000	15,000
Philip Kay	10,153	10,153
Sir Laurence Magnus	40,000	40,000
David Miller	20,000	20,000
David Robins	10,000	10,000
Nicholas Barber	10,000	10,000
William Thomson ²	n/a	15,000

All holdings beneficial

¹ including an interest in 20,000 ordinary shares as a shareholder of Triptych SA

² retired 10 May 2012

	31 December 2012 subscription shares	31 December 2011 subscription shares
Simon Fraser ¹	7,000	3,000
Philip Kay	2,030	2,030
Sir Laurence Magnus	nil	nil
David Miller	4,000	4,000
David Robins	nil	nil
Nicholas Barber	2,000	2,000
William Thomson ²	n/a	3,000

All holdings beneficial

¹ including an interest in 4,000 subscription shares as a shareholder of Triptych SA

² retired 10 May 2012

As explained on page 18, the right of subscription shareholders to subscribe for ordinary shares expired on 28 February 2013. The interests of the Directors in the Company following the expiry of the subscription rights were as follows

	1 March 2013 ordinary shares	1 March 2013 subscription shares
Simon Fraser ¹	42,000	nil
Philip Kay	12,183	nil
Sir Laurence Magnus	40,000	nil
David Miller	20,000	nil
David Robins	10,000	nil

¹ including 24,000 ordinary shares as a shareholder of Triptych SA

There have been no further changes to the shareholdings of the Directors since 1 March 2013

Information on the appointment, re election and replacement of Directors and amendments to the Company's Articles of Association is included in the Corporate Governance Statement on page 26. Any amendments to the Company's Articles of Association must be made by special resolution.

DIRECTORS AND OFFICERS' LIABILITY INSURANCE

In addition to benefits enjoyed under the Manager's global Directors and Officers' liability insurance arrangements, the Company maintains insurance cover for its Directors and Officers under its own policy as permitted by the Companies Act 2006. The Board reviews its cover and terms on an annual basis.

SUBSTANTIAL SHARE INTERESTS

As at the date of this report, 13.43% of the issued ordinary share capital was held by investors in the Fidelity Individual Savings Account and the Fidelity Investment Trust Share Plan.

As at the date of this report notification had been received of the following interests in 3% or more of the voting rights of the Company

Substantial share interests	%
FIL Limited ¹	20.65
1607 Capital Partners, LLC ²	18.97
Mitton Asset Management ³	9.81
Wells Capital Management ⁴	8.58
Wesleyan Assurance ⁵	4.23
Barclays Stockbrokers ⁶	3.69
Ecclesiastical Investment Management ⁷	3.40

¹ Direct holding on own account (7.22%) and indirect holding for clients (13.43%)

² Direct holding on own account and for clients

³ Direct holding on own account

⁴ Direct holding on own account and for clients

⁵ Direct holding for clients

⁶ Direct holding for clients

⁷ Direct holding on own account

Analysis of ordinary shareholders As at 31 December 2012 % of issued share capital

Other Funds	55.81
Retail Investors ¹	29.84
Insurance	6.95
Pensions	4.12
Hedge Funds	1.56
Trading	0.92
Charities	0.80
	100.00

¹ Includes Share Plan and ISA investors

Directors' Report

Analysis of subscription shareholders As at 31 December 2012 % of issued share capital

Retail Investors ¹	49.94
Other Funds	28.42
Trading	14.76
Insurance	4.01
Pensions	1.77
Hedge Funds	1.10
	100.00

¹ Includes Share Plan and ISA investors

ANNUAL GENERAL MEETING THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000

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 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,424,435. If passed, this resolution will enable the Directors to allot a maximum of 5,697,741 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company as at 21 March 2013. 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 allotted for cash, the Companies Act 2006 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 2006 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 £1,424,435 (5% of the issued ordinary share capital of the Company as at 21 March 2013). 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 Resolutions 8 and 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.

Resolution 10 is a special resolution which renews the Company's authority to purchase through the London Stock Exchange up to 17,081,829 ordinary shares of 25 pence (equivalent to 14.99% of the ordinary shares in issue at 21 March 2013) for cancellation. By utilising the power to repurchase ordinary shares when they are trading at a discount to NAV, the Company will increase the resulting NAV 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.

Resolution 11 is an ordinary resolution to authorise the continuation of the Company as an investment trust. The Board undertakes to give shareholders the opportunity to vote on the continuation of the Company every three years. Accordingly a resolution for the continuation of the Company as an investment trust will be put to shareholders at the forthcoming Annual General Meeting.

The full text of the resolutions is set out in the Notice of Meeting contained on pages 53 to 55.

Recommendation The Board considers that each of the resolutions is likely to promote the success of the Company and is in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement on pages 24 to 29. The Corporate Governance Statement forms part of this Directors' Report.

AUDITOR'S RIGHT TO INFORMATION

As required by Section 418 of the Companies Act 2006 the Directors in office as at the date of this report each confirm that, so far as they are aware, there is no relevant audit information of which the Auditor is unaware and each Director has taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information, and to establish that the Auditor is aware of that information.

Directors' Report

AUDITOR'S APPOINTMENT

Grant Thornton UK LLP have indicated their willingness to continue to act as Auditor to the Company and a resolution proposing their re-appointment will be proposed at the forthcoming Annual General Meeting, together with a resolution to authorise the Directors to determine the Auditor's remuneration

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 15 to 18. The financial position of the Company, its cash flows, liquidity position and gearing are described in the Financial Statements and Notes thereto on pages 33 to 49. The Company's objectives, policies and processes for managing its capital, financial risk management objectives, details of financial instruments and its exposures to credit and liquidity risk are also set out on pages 16 and 17 and in the Notes to the Financial Statements on pages 45 to 48.

The Company's assets consist mainly of securities which are readily realisable and, where outsourcing arrangements are in place, alternative service providers are readily available. As a consequence, the Directors believe that the Company is well placed to manage its business risks.

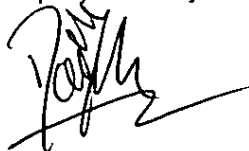
The Board receives regular reports from the Manager and the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In the light of the above, together with the Board's recommendation that shareholders pass the continuation vote at the Annual General Meeting, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

CONTINUATION VOTE

In accordance with the Articles of Association of the Company, continuation votes are held every three years. The next continuation vote will take place at the Annual General Meeting to be held on 14 May 2013 and **the Board recommends that shareholders vote in favour of the continuation of the Company**.

By Order of the Board
FIL Investments International
Secretary
21 March 2013

For and on behalf of
FIL Investments International
Company Secretary



Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial period. Under the law they have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss for the period.

In preparing these financial statements 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that adequate 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 financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website www.fidelity.co.uk/investmenttrusts/investment-range/japanese-values/default page. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their own jurisdictions.

We confirm that to the best of our knowledge the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Directors' Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties it faces.

Approved by the Board on 21 March 2013 and signed on its behalf



David Robins
Chairman

Corporate Governance Statement

The Company is committed to high standards of corporate governance. Accordingly, the Board has put in place a framework for corporate governance which it believes is appropriate for an investment trust company. This Corporate Governance Statement forms part of the Directors' Report.

AIC CODE

The Board has considered the principles and recommendations of the Association of Investment Companies' Code of Corporate Governance (the "AIC Code"), by reference to the AIC Corporate Governance Guide (the "AIC Guide"). The AIC Code, as explained in the AIC Guide, addresses the governance issues relevant to investment companies and enables boards to satisfy any requirements they may have under the UK Corporate Governance Code ("UK Code") as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide, which incorporates the UK Code, will provide better information to shareholders. The AIC Code and AIC Guide may be found at www.theaic.co.uk.

The Board is accountable to the Company's shareholders for good governance and considers that the Company has complied with the recommendations of the AIC Code, and the relevant provisions of the UK Code.

The UK Code includes provisions relating to

- the role of the chief executive,
- executive directors' remuneration, and
- the need for an internal audit function.

For the reasons set out in the AIC Guide and as explained in the UK Code, the Board considers that these provisions are not relevant to the Company, given its status as an externally managed investment company and the fact that it has no employees. The Company has therefore not reported in respect of these provisions.

Under the terms of the AIC Code and UK Code, Simon Fraser is considered to be a non-independent Director as he was employed by the Manager until the end of December 2008, however the Board considers that he is free from any business or other relationship which might influence or interfere with his judgement in respect of his role as a Director of the Company. In addition, the Directors consider that he brings a wealth of relevant financial services experience to the Board.

THE BOARD AND ITS COMMITTEES

THE BOARD

The Board of Directors is responsible for the effective stewardship of the Company's affairs and for promoting the long term success of the Company. The Board has adopted a formal schedule of matters reserved for its decision. It has responsibility for all corporate strategic issues, corporate governance matters, capital structure (including share issues and repurchases), gearing policy, financial reporting, risk management, investment performance, share price discount management, the appointment of the Company Secretary and Board appointments. The Company's investment policy is detailed on pages 15 and 16.

The Company does not have a chief executive and day-to-day management of the Company, including the management of the investment portfolio, is delegated to the Manager. All matters which are not delegated to the Company's Manager under the Management and Secretarial Services Agreement are reserved for the Board's decision.

The Board currently consists of five Directors, of whom four are independent of the Company's Manager. In addition to the current Board (all of whom served throughout the year under review), William Thomson served as Chairman until he stepped down following the Annual General Meeting on 10 May 2012, following which David Robins was appointed Chairman. Nicholas Barber retired as Director with effect from 31 December 2012.

Simon Fraser acted as the Company's Portfolio Manager from its launch in 1994 until August 1997. In addition he formerly held the position of Fidelity's Chief Investment Officer for the Asia/Pacific region and Chief Investment Officer for Fidelity International. His career with Fidelity spanned 27 years and given this long association, together with his directorship of Fidelity European Values PLC, the Board does not consider it appropriate to regard him as being independent of the Manager. Nonetheless it is considered that, in practice, all the Directors are free from any relationship which could materially interfere with the exercise of their independent judgement and are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively.

The full Board forms the membership of the Audit Committee and Nomination Committee. The independent Directors form the membership of the Management Engagement Committee.

Corporate Governance Statement

BOARD MEETINGS

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

	Regular Board Meetings	Nomination Committee Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
David Robins	4/4	1/1	3/3	1/1
Simon Fraser	4/4	1/1	3/3	n/a
Philip Kay	4/4	1/1	3/3	1/1
Sir Laurence Magnus	4/4	1/1	3/3	1/1
David Miller	4/4	1/1	3/3	1/1
William Thomson ¹	2/2	1/1	1/1	1/1
Nicholas Barber ²	4/4	1/1	3/3	1/1

¹ William Thomson retired as a Director with effect from 10 May 2012

² Nicholas Barber retired as a Director with effect from 31 December 2012

(Figures indicate those meetings for which each Director was eligible to attend and attended in the year Regular Board Meetings exclude procedural meetings held to discharge, for example, formal approvals)

SENIOR INDEPENDENT DIRECTOR

The Senior Independent Director fulfils the role as a sounding board for the Chairman and as intermediary for other non-executive Directors where necessary. During the year under review, the position of Senior Independent Director was held by Nicholas Barber. Following Nicholas Barber's retirement on 31 December 2012, David Miller took over as the Senior Independent Director.

BOARD BALANCE

The Board consists of Directors who, between them, have good knowledge and wide experience of business in Japan, the Asia region and of investment trusts. The Directors believe that the Board has an appropriate balance of skills, experience, independence, knowledge of the Company and length of service to discharge its duties and provide effective strategic leadership and proper governance of the Company. Biographical details of the current Directors including their relevant directorships are given on page 14 of this report. The Board 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. Other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred to them from the Board and the Chairman is in contact with the other Directors regularly without representatives of the Manager being present.

COMPANY SECRETARY

The Company Secretary is a corporate secretary. The appointment of the Company Secretary is a matter for the Board as a whole. 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 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.

SUPPLY OF INFORMATION TO DIRECTORS

The Chairman is responsible for the promotion of a culture of openness and debate, for ensuring that the Directors receive accurate, timely and clear information and for ensuring that there is adequate time available for the discussion of agenda items, particularly strategic issues. The Board receives, in due time, information in a form and of a quality appropriate to enable it to discharge its duties.

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 Board has delegated certain corporate governance responsibilities to the Audit, Management Engagement and Nomination Committees, membership of which is set out on pages 26 to 28. Key representatives of the Manager attend meetings by invitation, enabling Directors to probe further on matters of concern or to seek clarification if required.

Corporate Governance Statement

CHANGES TO THE BOARD

All appointments to the Board and replacements of Directors take place in accordance with the Companies Act, the Company's Articles of Association and the AIC Code. The Nomination 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. Details of the changes to the Board which have taken place during the year are outlined in the Directors' Report on page 19.

THE COMPANY'S ARTICLES OF ASSOCIATION

Changes to the Company's Articles of Association must be made by special resolution.

TRAINING

Upon appointment, each Director is provided with all relevant information regarding the Company and receives training on the investment operations and administration functions of the Company, together with a summary of their duties and responsibilities. In addition, a new Director will receive an induction, spending time with representatives of the Manager whereby he or she will become familiar with the various processes which the Manager considers necessary for the performance of its duties and responsibilities to the Company. The Company's policy is to encourage Directors to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company and the Chairman reviews and agrees development and training needs with each Director. The Directors also receive regular briefings from, amongst others, the AIC, the Company's Auditor and the Company Secretary regarding any proposed developments or changes in law or regulations that affect the Company and/or the Directors.

PERFORMANCE EVALUATION

A formal and rigorous annual process for the evaluation of the Board, its Committees and its Directors is in place. This takes the form of written questionnaires and, if appropriate, interviews. The performance of the Chairman is evaluated by the other Directors on an annual basis.

The Company Secretary and Portfolio Manager also participate in these processes to provide all-round feedback to the Board. The results of these evaluations are issued to and discussed by the Board. The process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and action is taken on the basis of the results.

ELECTION AND 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 at least every three years. Directors who have served on the Board for more than nine years are subject to annual re-election.

Simon Fraser will retire both in accordance with the provisions of the Listing Rules and the Board's policy that Directors serving for more than nine years seek annual re-election. The proposal for his re-election was considered by the Nomination Committee. For the reasons stated on page 24, the Board does not consider Simon Fraser to be independent. The Nomination Committee considers that Simon Fraser's knowledge of the Manager together with his knowledge and experience of Japan and, in particular investment in Japan, are of enormous benefit and the Board recommends that shareholders vote in favour of his re-election.

Philip Kay and David Miller both retire in accordance with the Articles of Association and seek re-election. The Nomination Committee has considered their performance and contribution to the Company and concluded that each remains an effective member of the Board. Accordingly, the Committee recommends their re-election at the forthcoming Annual General Meeting to shareholders.

BOARD COMMITTEES

The Board has established three committees, as set out on pages 26 to 28. Terms of reference for each committee are available on the Company's pages of the Manager's website (www.fidelity.co.uk/its).

The Company does not have any executive Directors and no employees and consequently does not have a remuneration committee. The Directors' Remuneration Report, which can be found on page 30, provides information on the remuneration arrangements for the Directors of the Company.

The Audit Committee

The Audit Committee consists of all of the Directors because the Board feels that it is important to have all Directors represented due to their skills and experience. Sir Laurence Magnus chairs this Committee as the Board believes him to be the most appropriately qualified and experienced to do so. The Committee considers that collectively the members of the Committee have sufficient recent and relevant financial experience to discharge its responsibilities fully.

The Committee's authority and duties are clearly defined in its written terms of reference. These duties include responsibility for making recommendations on the appointment, reappointment and removal of the external Auditor, discussing the external Auditor's quality control procedure, considering the scope of work undertaken by the Manager's internal audit department, reviewing the Company's procedures for detecting fraud, monitoring the integrity of the financial statements of the Company, reviewing the half-yearly and annual financial statements of the Company prior to their submission to the Board, and reviewing the effectiveness of the internal control system (including financial, operational and compliance controls and risk management). They also include responsibility for reviewing and monitoring the effectiveness of the audit process and the external Auditor's independence and objectivity with particular regard to the provision of non-audit services taking into consideration relevant UK professional and regulatory

Corporate Governance Statement

requirements and by seeking appropriate disclosures and comfort from the Auditor. The provision of non-audit services is also subject to prior Board approval. No work other than audit was carried out by the Company's Auditor during the year.

The Audit Committee meets at least three times a year and with the Auditor at least once a year to review these and other appropriate matters.

In the year to 31 December 2012, the Audit Committee discharged its responsibilities by, inter alia

- Reviewing the Company's draft annual and half-yearly financial statements prior to Board approval and reviewing the external Auditor's report on the annual financial statements,
- Reviewing the appropriateness of the Company's accounting policies,
- Reviewing and approving the audit fee,
- Reviewing the external Auditor's terms of engagement including the reappointment or removal of the Auditor as appropriate,
- Reviewing the external Auditor's plan for the audit of the Company's financial statements,
- Reviewing the external Auditor's quality control procedures,
- Reviewing and monitoring the effectiveness of the external audit process and the external Auditor's independence and objectivity,
- Reviewing the overall services provided by the Company's external Auditor,
- Considering the scope of work undertaken by the Manager's internal audit department,
- Reviewing the Manager's reports on risk and internal controls and reporting to the Board,
- Considering and reconfirming that the Company does not need an internal audit function given that the Company delegates its day to day operations to third parties, and
- Reviewing the Company's custody arrangements.

The last review of alternative audit service providers took place in 2006 resulting in a change of audit firm. The Auditor's continued appointment is reviewed each year and audit partners change at least once every five years. There are no contractual obligations that restrict the Committee's choice of Auditor.

The Committee also reviews corporate governance issues, the existence and performance of all controls operating in the Company (including the adherence to Section 1159 Corporation Tax Act 2010 status), the relationship with and the performance of third party service providers (such as the Registrar and Custodian). The risks associated with audit firms withdrawing from the market are considered in the Committee's risk evaluation and planning.

The Nomination Committee

The Committee consists of all of the Directors (as there is no reason to exclude any Director). Prior to his retirement on 10 May 2012, the Committee was chaired by William Thomson as he had the requisite experience to do so. Following Mr Thomson's

retirement David Robins was appointed chairman of the Committee as it is considered that he too has the requisite experience to do so. The Committee is charged with nominating new Directors for consideration by the Board, and subsequent approval by shareholders. It believes that the best way of ensuring that the Board as a whole and each independent Director individually carry out their 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. As part of this process, external consultants are used to identify potential candidates. The Nomination Committee also considers the re-election of Directors who are retiring by rotation.

There is a formal and transparent process for the appointment of new Directors to the Board. The Committee carries out its candidate search against a set of objective criteria, with due regard for the benefits of diversity on the Board, including gender. New Directors are appointed on the basis of merit.

This Committee meets on an annual basis and as and when required. The Committee has written terms of reference and is responsible, amongst other things, for identifying and nominating, for the approval of the Board, candidates to fill board vacancies, taking into account the need to maintain a balanced board. Only the independent Directors on the Committee vote on the recommendation of candidates for appointment as new independent Directors. Care is taken to ensure that appointees have enough time to devote to the role.

The terms and conditions of appointment of Directors are available for inspection at the registered office of the Company and will be made available prior to the forthcoming Annual General Meeting.

The Management Engagement Committee

The Committee consists of all of the independent Directors. It was chaired by William Thomson until his retirement on 10 May 2012 and subsequently is chaired by David Robins. 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 Committee is responsible for reviewing the performance of the Manager and the terms of the management agreement to ensure that it is competitive and in the interests of shareholders, and making recommendations to the Board concerning any proposed amendment to the terms of the management agreement.

In reviewing the performance of the Manager the Committee considers a range of factors including

- 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,

Corporate Governance Statement

- Managing the Company – in running and controlling the administration, the accounting and the Company Secretarial function 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, and
- Marketing – commitment to and execution of activities designed to secure sustainable demand from prospective long term shareholders

The Committee met and reviewed the performance of the Manager for the year to 31 December 2012. Having reviewed the criteria set out above, the Committee concluded that it was in the interests of shareholders as a whole that the Management and Secretarial Services Agreement should continue.

Details of the Management and Secretarial Services Agreement may be found below.

MANAGEMENT AGREEMENT

A Management and Secretarial Services Agreement (the "Management Agreement") dated 6 February 2006 and amended on 18 January 2011 and 22 August 2012, was entered into between the Company and FIL Investments International (the "Manager"), under which the Manager has agreed to provide investment management, administrative and secretarial services to the Company for a quarterly fee of an amount equal to 0.25 per cent of the value of the Company's assets under management together with the gross exposure to CFDs (excluding investments in other funds managed by the Manager) payable quarterly in arrears and calculated on 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 arrears, at the current rate of £42,176 per annum. The notice period by either party is six months. 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 FIL Limited.

FINANCIAL REPORTING

Set out on page 23 is a statement by the Directors of their responsibilities in respect of the financial statements. The Auditor has set out its reporting responsibilities within the Independent Auditor's Report on page 32.

The Board has a responsibility to present a balanced and understandable assessment of annual and half-yearly reports,

interim management statements and other price sensitive public reports, as well as to provide information required to be presented by statutory requirements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Company's systems of risk management and internal control and for reviewing their effectiveness. The identification, control and evaluation of risk is assessed quarterly and a regular internal controls report is provided by the Manager. The systems of risk management and internal control 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 misstatement or loss.

The Board has contractually delegated to external agencies, including the 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 regular risk and controls assessment. The business risks have been analysed and recorded in a risk and internal controls report which is regularly reviewed. The Board has reviewed the need for an internal audit function. The Board has decided that the systems and procedures employed by the Manager, including its internal audit function and the work carried out by the Company's external Auditor, provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investments and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

The Audit Committee has received and reviewed the report on the effectiveness of the internal controls maintained on behalf of the Company and meets a representative of the Manager's Internal Audit team at least twice a year. The Chairman of the Audit Committee has direct access to the Manager's Internal Audit function and vice versa. 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 the Financial Reporting Council's "Internal Control: Revised Guidance for Directors", 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 risk management and internal control systems throughout the year ended 31 December 2012. This process continued to be in place up to the date of the approval of these financial statements and is expected to remain in place for the coming year.

Corporate Governance Statement

WHISTLE-BLOWING PROCEDURE

Part of the Manager's role in ensuring the provision of a good service pursuant to the Management Agreement includes the ability for employees of Fidelity to raise concerns through a workplace concerns escalation policy (or "whistle-blowing procedure"). The Board has received assurances from the Manager that it is committed to providing the highest level of service to its customers and to applying the highest standards of quality, honesty, integrity and probity. The aim of the policy is to encourage employees and others working for Fidelity to assist the Company in tackling fraud, corruption and other malpractice and in setting standards of ethical conduct. This policy has been endorsed accordingly by the Board.

BRIBERY ACT 2010

The Company is committed to carrying out business fairly, honestly and openly. The Board recognises the benefits this has to reputation and business confidence.

The Board, the Manager, the Manager's employees and others acting on the Company's behalf, are expected to demonstrate high standards of behaviour when conducting business.

The Board acknowledges its responsibility for the implementation and oversight of the Company's procedures for preventing bribery and the governance framework for training, communication, monitoring, reporting and escalation of compliance together with enforcing action as appropriate. The Board has adopted a zero tolerance policy in this regard.

RESPONSIBILITY AS AN INSTITUTIONAL SHAREHOLDER

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. The Manager, in its Principles of Ownership, expressly declares that it supports the Financial Reporting Council's Stewardship Code setting out the responsibilities of institutional shareholders and agents.

Further details of the Manager's Principles of Ownership and voting may be found at www.fidelity.co.uk.

RELATIONS WITH SHAREHOLDERS

The Chairman is responsible for ensuring that all Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and other Directors have meetings with major shareholders to discuss strategy and governance. 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 that the Company's institutional shareholders 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 56.

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 representatives of the Manager and the Board.

Except where a poll is called, all resolutions at the Annual General Meeting are dealt with on a show of hands. The proxy voting results are counted and are available to the meeting and are disclosed on the Company's page of the Manager's website (www.fidelity.co.uk/its).

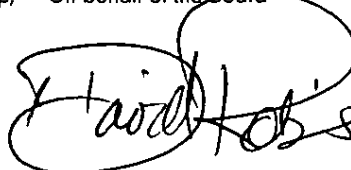
The Notice of Meeting on pages 53 to 55 sets out the business of the Annual General Meeting. A separate resolution is proposed on each substantially separate issue including the Annual Report and financial statements. The Chairman of the Board and the Chairman of the Audit Committee, will be available to answer questions at the Annual General Meeting. The Notice of the Annual General Meeting and related papers are sent to shareholders at least twenty working days before the meeting.

DISCLOSURE AND TRANSPARENCY RULES

Other information required to be disclosed pursuant to the Disclosure and Transparency Rules has been placed in the Directors' Report on pages 18 to 22 because it is information which refers to events that have taken place during the course of the year. The following is a list of that information:

- Directors' shareholdings
- Directors and Officers' liability insurance
- Going concern
- Substantial share interests
- Share capital and subscription shares
- Share issues
- Share repurchases

On behalf of the Board



David Robins

Chairman

21 March 2013

Directors' Remuneration Report

This report has been prepared in accordance with Sections 420 - 422 of the Companies Act 2006 in respect of the year ended 31 December 2012. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting. The law requires the Company's Auditor to audit certain parts of the disclosures provided. Where disclosures have been audited they are indicated as such. The Auditor's opinion is included in its report on page 32.

REMUNERATION

The level of Directors' fees is determined by the whole Board and Directors do not vote on their own fee. The Company's Articles of Association limit the aggregate fees payable to each Director to £50,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil, the time committed to the Company's affairs and the responsibilities and potential liabilities, both financial and reputational. No Director received any bonus, taxable expenses, compensation for loss of office or non-cash benefits for the year ended 31 December 2012 or the year ended 31 December 2011. Non-executive Directors are not eligible for participation in any performance related fees, bonuses, pension benefits, share options, long term incentive schemes or other benefits. It is intended that this policy will continue for the year ending 31 December 2013 and for subsequent years. With effect from 13 March 2012 the fee payable to the Chairman was reduced from £31,000 per annum to £30,000 per annum, whilst the fee payable to the Chairman of the Audit Committee was increased from £20,000 per annum to £23,000 per annum. The remaining Directors continue to receive a fee of £20,000 per annum (2011: £20,000 per annum).

DIRECTORS' SERVICE CONTRACTS

No Director has a service contract with the Company. New Directors are provided with a letter of appointment which, amongst other things, provides that their appointment is subject to the Companies Act 2006 and the Articles of Association of the Company. The Company does not make payments to Directors

on termination or compensation upon early termination of appointment.

COMPANY PERFORMANCE

The Company's investment objective is capital growth. The graph below measures this against its Benchmark, the Russell Nomura Mid/Small Cap Index (in sterling terms).

REMUNERATION OF DIRECTORS¹

Name	2012 £'000	2011 £'000
David Robins ²	27	18
Nicholas Barber ³	20	20
Simon Fraser	20	20
Philip Kay	20	20
Sir Laurence Magnus	22	20
David Miller	20	20
William Thomson ⁴	11	30
Total	140	148

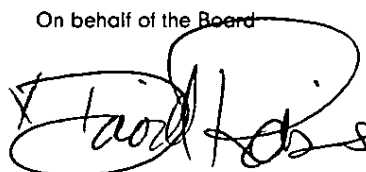
¹ Audited information

² Appointed Chairman with effect from 10 May 2012

³ Resigned as a Director with effect from 31 December 2012

⁴ Resigned as a Chairman and Director with effect from 10 May 2012

On behalf of the Board



David Robins

Chairman

21 March 2013

Financial Calendar

The key dates in the Company's calendar are:

31 December 2012 – financial year end

22 March 2013 – announcement of results

April 2013 – publication of this report

May 2013 – Interim Management Statement (as at 31 March 2013)

14 May 2013 – Annual General Meeting

30 June 2013 – Half-Year end

July/August 2013 – announcement of Half-Yearly results to 30 June 2013

August 2013 – publication of Half-Yearly report

November 2013 – Interim Management Statement (as at 30 September 2013)

Independent Auditor's Report to the Members of Fidelity Japanese Values PLC

We have audited the financial statements of Fidelity Japanese Values PLC for the year ended 31 December 2012 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on page 23, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its net loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

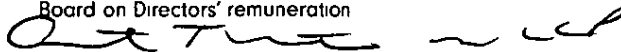
We have nothing to report in respect of the following:

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

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

Under the Listing Rules, we are required to review

- the Directors' statement, set out on page 22, in relation to going concern,
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.



Julian Bartlett

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

22 March 2013

Income Statement for the year ended 31 December 2012

	Notes	2012 revenue £'000	2012 capital £'000	2012 total £'000	2011 revenue £'000	2011 capital £'000	2011 total £'000
Losses on investments designated at fair value through profit or loss	8	-	(6,376)	(6,376)	-	(4,114)	(4,114)
Gains/(losses) on derivative instruments held at fair value through profit or loss	9	-	2,635	2,635	-	(312)	(312)
Income	2	1,289	-	1,289	1,445	-	1,445
Investment management fee	3	(757)	-	(757)	(830)	-	(830)
Other expenses	4	(441)	-	(441)	(441)	-	(441)
Exchange (losses)/gains on other net assets		-	(384)	(384)	4	483	487
Net return/(loss) before finance costs and taxation		<u>91</u>	<u>(4,125)</u>	<u>(4,034)</u>	<u>178</u>	<u>(3,943)</u>	<u>(3,765)</u>
Finance costs	5	(76)	-	(76)	(83)	-	(83)
Net return/(loss) on ordinary activities before taxation		<u>15</u>	<u>(4,125)</u>	<u>(4,110)</u>	<u>95</u>	<u>(3,943)</u>	<u>(3,848)</u>
Taxation on return/(loss) on ordinary activities	6	(70)	-	(70)	(75)	-	(75)
Net (loss)/return on ordinary activities after taxation for the year		<u>(55)</u>	<u>(4,125)</u>	<u>(4,180)</u>	<u>20</u>	<u>(3,943)</u>	<u>(3,923)</u>
(Loss)/return per ordinary share – undiluted and diluted	7	<u>(0 06p)</u>	<u>(4 24p)</u>	<u>(4 30p)</u>	<u>0 02p</u>	<u>(4 06p)</u>	<u>(4 04p)</u>

A Statement of Total Recognised Gains and Losses has not been prepared as there are no gains and losses other than those reported in this Income Statement
The total column of the Income 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

The Notes on pages 37 to 49 form an integral part of these financial statements

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2012

	Note	share capital £'000	share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Opening shareholders' funds								
1 January 2011		24,872	81	2,437	57,955	(6,421)	(13,436)	65,488
Issue of ordinary shares on exercise of rights attached to subscription shares	12	441	529	-	-	-	-	970
Exercise of rights attached to subscription shares and conversion into ordinary shares	12	(88)	88	-	-	-	-	-
Net (loss)/return on ordinary activities after taxation for the year		-	-	-	-	(3,943)	20	(3,923)
Closing shareholders' funds:								
31 December 2011		25,225	698	2,437	57,955	(10,364)	(13,416)	62,535
Issue of ordinary shares on exercise of rights attached to subscription shares	12	3	4	-	-	-	-	7
Exercise of rights attached to subscription shares and conversion into ordinary shares	12	(1)	1	-	-	-	-	-
Repurchase of ordinary shares	12	(159)	-	159	(328)	-	-	(328)
Net loss on ordinary activities after taxation for the year		-	-	-	-	(4,125)	(55)	(4,180)
Closing shareholders' funds								
31 December 2012		25,068	703	2,596	57,627	(14,489)	(13,471)	58,034

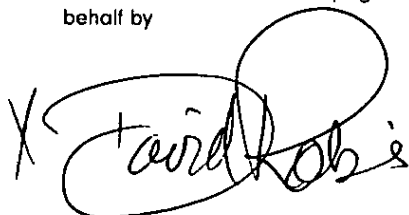
The Notes on pages 37 to 49 form an integral part of these financial statements

Balance Sheet as at 31 December 2012

Company number 2885584

	Notes	2012 £'000	2011 £'000
Fixed assets			
Investments designated at fair value through profit or loss	8	55,087	58,807
Current assets			
Derivative assets held at fair value through profit or loss	9	1,941	2,202
Debtors	10	2,632	797
Cash at bank		674	4,056
		<u>5,247</u>	<u>7,055</u>
Creditors			
Derivative liabilities held at fair value through profit or loss	9	(301)	(2,211)
Creditors	11	(1,999)	(1,116)
		<u>(2,300)</u>	<u>(3,327)</u>
Net current assets		<u>2,947</u>	<u>3,728</u>
Total net assets		<u>58,034</u>	<u>62,535</u>
Capital and reserves			
Share capital	12	25,068	25,225
Share premium account	13	703	698
Capital redemption reserve	13	2,596	2,437
Other reserve	13	57,627	57,955
Capital reserve	13	(14,489)	(10,364)
Revenue reserve	13	(13,471)	(13,416)
Total equity shareholders' funds		<u>58,034</u>	<u>62,535</u>
Net asset value per ordinary share			
Undiluted	14	59 94p	64 17p
Diluted	14	<u>59 19p</u>	<u>62 79p</u>

The financial statements on pages 33 to 49 were approved by the Board of Directors on 21 March 2013 and were signed on its behalf by



David Robins
Chairman

The Notes on pages 37 to 49 form an integral part of these financial statements

Cash Flow Statement for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Operating activities			
Investment income received		917	1,017
Dividends on long CFDs received		294	332
Investment management fee paid		(790)	(870)
Directors' fees paid		(182)	(137)
Other cash payments		(471)	(227)
Net cash (outflow)/inflow from operating activities	15	<u>(232)</u>	<u>115</u>
Finance costs			
Interest paid on long CFDs		(76)	(85)
Net cash outflow from finance costs		<u>(76)</u>	<u>(85)</u>
Financial investments			
Purchase of investments		(51,491)	(58,309)
Disposal of investments		48,137	58,235
Net cash outflow from financial investments		<u>(3,354)</u>	<u>(74)</u>
Derivative activities			
Proceeds of long CFD positions closed		986	1,673
Net cash inflow from derivative activities		<u>986</u>	<u>1,673</u>
Net cash (outflow)/inflow before financing		<u>(2,676)</u>	<u>1,629</u>
Financing			
Exercise of rights attached to subscription shares		6	971
Repurchase of ordinary shares		(328)	-
Net cash (outflow)/inflow from financing		<u>(322)</u>	<u>971</u>
(Decrease)/increase in cash	16	<u>(2,998)</u>	<u>2,600</u>

The Notes on pages 37 to 49 form an integral part of these financial statements

Notes to the Financial Statements

1 ACCOUNTING POLICIES

The Company has prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and with the Statement of Recommended Practice Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC"), in January 2009

a) Basis of accounting – The financial statements have been prepared on a going concern basis and under the historical cost convention, except for the measurement at fair value of fixed asset investments and derivative assets and liabilities, and on the assumption that approval as an investment trust will continue to be granted by HM Revenue and Customs

A resolution proposing the continuation of the Company as an investment trust will be put to shareholders at the Annual General Meeting on 14 May 2013. The Directors are recommending that shareholders vote in favour of this resolution. In light of their recommendation and in accordance with Financial Reporting Standard ("FRS") 18 "Accounting Policies", the Directors believe that it is appropriate to prepare the financial statements on a going concern basis. Accordingly the financial statements do not include any adjustments that may arise from a reconstruction or liquidation of the Company. Such adjustments would include expenses of reconstruction or liquidation along with any costs associated with realising the portfolio.

b) Income – Income from equity investments is credited to the Income Statement on the date on which the right to receive the payment is established. Overseas dividends include withholding tax deducted at source. Interest receivable on short term deposits is 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 foregone is recognised in the revenue column of the Income Statement. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital column of the Income Statement.

c) Special dividends – Special dividends are treated as a capital receipt or a revenue receipt depending on the facts and circumstances of each particular case.

d) Expenses and finance costs – All expenses are accounted for on an accruals basis and are charged in full to the revenue column of the Income Statement. Finance costs are accounted for using the effective interest rate method and in accordance with the provisions of FRS 26 "Financial Instruments: Recognition and Measurement".

e) 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 taxation asset is recognised when it is more likely than not that the asset will be recoverable.

f) Foreign currency – The Directors, having regard to the currency of the Company's share capital and the predominant currency in which its investors operate, have determined the functional currency to be UK sterling. Transactions denominated in foreign currencies are calculated in UK 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. All capital gains and losses, including exchange movements on the translation of foreign currency assets and liabilities, are dealt with in the capital column of the Income Statement.

g) Valuation of investments – The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided on that basis to the Company's Board of Directors. Accordingly, investments are designated by the Company as "at fair value through profit or loss", which is initially taken to be their cost and subsequently are measured as follows:

- Investments listed overseas are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed, otherwise at fair value based on published price quotations, and
- Unlisted investments where there is not an active market are valued using an appropriate valuation technique so as to establish what the transaction price would have been at the Balance Sheet date.

In accordance with the AIC SORP, the Company includes transaction costs, incidental to the purchase or sale of investments, with gains/(losses) on investments and has disclosed them in Note 8 on page 41.

Notes to the Financial Statements

1 ACCOUNTING POLICIES continued

h) Derivative instruments – Some of the Company's exposure to Japanese equities is through the use of long CFDs. The gearing level is monitored and reviewed by the Board on an ongoing basis. CFDs are measured at fair value which is the difference between the settlement price of the contract and the fair value of the underlying shares in the contract, which is calculated in accordance with policy 1(g). Gains and losses in the fair value of the CFDs are included in the "gains/(losses) on derivative instruments held at fair value through profit or loss" in the capital column of the Income Statement. Income received from dividends on the long CFDs is included in "Income" and the finance costs are included in "Finance costs" in the revenue column of the Income Statement.

i) Capital reserve – The following are accounted for in capital reserve:

- Gains and losses on the disposal of investments and derivative instruments,
- Changes in the fair value of the investments and derivative instruments held at the year end,
- Foreign exchange gains and losses of a capital nature, and
- Dividends receivable which are capital in nature

As a result of technical guidance by the Institute of Chartered Accountants in England and Wales in TECH 02/10 "Distributable Profits", changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms at the Balance Sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as "capital reserve" in the Reconciliation of Movements in Shareholders' Funds and the Balance Sheet. At the Balance Sheet date all investments held by the Company were listed on a recognised stock exchange and were considered to be readily convertible to cash.

	2012 £'000	2011 £'000
2 INCOME		
Income from investments designated at fair value through profit or loss		
Overseas dividends	1,005	1,099
Income from derivatives held at fair value through profit or loss		
Dividends on long CFDs	284	346
Total income	<u>1,289</u>	<u>1,445</u>
	2012 £'000	2011 £'000
3 INVESTMENT MANAGEMENT FEE		
Investment management fee	<u>757</u>	<u>830</u>

A summary of the terms of the Management Agreement is given in the Corporate Governance Statement on page 28.

Notes to the Financial Statements

	2012 £'000	2011 £'000
4 OTHER EXPENSES		
AIC fees	6	6
Custody fees	10	12
Directors' expenses	38	21
Directors' fees ¹	140	148
Legal and professional fees	38	43
Marketing expenses	62	58
Printing and publication expenses	45	52
Registrars' fees	24	27
Other expenses	56	53
Fees payable to the Company's Auditor for the audit of the annual financial statements	22	21
	<u>441</u>	<u>441</u>

¹ Details of the breakdown of Directors' fees are provided on page 30 in the Directors' Remuneration Report

	2012 £'000	2011 £'000
5 FINANCE COSTS		
Interest paid on long CFDs	<u>76</u>	<u>83</u>

Notes to the Financial Statements

	revenue £'000	2012 capital £'000	total £'000	revenue £'000	2011 capital £'000	total £'000
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6 TAXATION ON RETURN/(LOSS) ON ORDINARY ACTIVITIES

a) Analysis of taxation charge for the year

Overseas taxation suffered (Note 6b)	70	-	70	75	-	75
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b) Factors affecting the taxation charge for the year

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an investment trust company of 24.5% (2011 26.5%)

The differences are explained below

	revenue £'000	2012 capital £'000	total £'000	revenue £'000	2011 capital £'000	total £'000
Net return/(loss) on ordinary activities before taxation	15	(4,125)	(4,110)	95	(3,943)	(3,848)
Net return/(loss) on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 24.5% (2011 26.5%)	4	(1,011)	(1,007)	25	(1,045)	(1,020)
Effects of						
Losses on investments not taxable ¹	-	1,011	1,011	-	1,045	1,045
Increase in excess expenses for the year	242	-	242	266	-	266
Income not included for taxation purposes	(246)	-	(246)	(291)	-	(291)
Overseas taxation	70	-	70	75	-	75
Current taxation charge (Note 6a)	70	-	70	75	-	75

¹ Investment trust companies are exempt from taxation on capital gains if they meet the HM Revenue & Customs criteria set out in Section 1159 of the Corporation Tax Act 2010

c) The Company has unrelieved excess tax losses of £15,723,000 (2011 £14,919,000). It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred taxation asset has been recognised

	revenue	2012 capital	total	revenue	2011 capital	total
7 (LOSS)/RETURN PER ORDINARY SHARE - UNDILUTED AND DILUTED						
(Loss)/return per ordinary share - pence	(0.06)	(4.24)	(4.30)	0.02	(4.06)	(4.04)
Net (loss)/return on ordinary activities after taxation for the year - £'000	(55)	(4,125)	(4,180)	20	(3,943)	(3,923)

The (loss)/return per ordinary share is based on 97,168,062 ordinary shares (2011 97,224,897) being the weighted average number of ordinary shares in issue during the year. There is no further dilution as a result of the potential issue of ordinary shares, on the exercise of rights attaching to subscription shares, because such an issue would decrease the loss per ordinary share.

Notes to the Financial Statements

	2012 £'000	2011 £'000
8 INVESTMENTS		
Investments designated at fair value through profit or loss		
Listed overseas	55,087	58,807
	2012 listed overseas £'000	2011 listed overseas £'000
Opening book cost	56,297	55,346
Opening investment holding gains	2,510	7,218
Opening fair value of investments	58,807	62,564
Movements in the year		
Purchases at cost	52,509	59,021
Sales – proceeds	(49,853)	(58,664)
Sales – (losses)/gains in the year	(2,921)	594
Movement in investment holding losses in the year	(3,455)	(4,708)
Closing fair value of investments	55,087	58,807
Closing book cost	56,032	56,297
Closing investment holding (losses)/gains	(945)	2,510
Closing fair value of investments	55,087	58,807
	2012 £'000	2011 £'000
Losses for the year on investments designated at fair value through profit or loss		
(Losses)/gains on sales of investments in the year	(2,921)	594
Investment holding losses in the year	(3,455)	(4,708)
	(6,376)	(4,114)
The portfolio turnover rate for the year was 70.2% (2011: 80.4%)		
	2012 £'000	2011 £'000
Losses on investments in the year are shown net of investment transaction costs which are summarised below		
Purchases	64	60
Sales	58	64
	122	124

Notes to the Financial Statements

	2012		2011	
	fair value £'000	exposure £'000	fair value £'000	exposure £'000
9 DERIVATIVE INSTRUMENTS				
At the year end the Company held the following CFDs				
Long CFDs – assets	1,941	11,935	2,202	10,591
Long CFDs – liabilities	(301)	3,220	(2,211)	7,625
	<u>1,640</u>	<u>15,155</u>	<u>(9)</u>	<u>18,216</u>
			2012 £'000	2011 £'000
Gains/(losses) on derivative instruments held at fair value through profit or loss in the year				
Gains on long CFD positions closed			986	1,673
Movement in investment holding gains/(losses) on long CFDs			1,649	(1,985)
			<u>2,635</u>	<u>(312)</u>
			2012 £'000	2011 £'000
10 DEBTORS				
Securities sold for future settlement			2,396	680
Amount receivable on ordinary shares issued			1	-
Accrued income			78	70
Other debtors			157	47
			<u>2,632</u>	<u>797</u>
			2012 £'000	2011 £'000
11 CREDITORS				
Securities purchased for future settlement			1,668	650
Other creditors			331	466
			<u>1,999</u>	<u>1,116</u>

Notes to the Financial Statements

	2012		2011	
	shares	£'000	shares	£'000
12 SHARE CAPITAL				
Issued, allotted and fully paid				
Ordinary shares of 25 pence each				
Beginning of the year	97,447,975	24,362	95,684,520	23,921
Issue of ordinary shares on the exercise of rights attached to subscription shares	12,710	3	1,763,455	441
Repurchase of ordinary shares	(638,000)	(159)	-	-
End of the year	<u>96,822,685</u>	<u>24,206</u>	<u>97,447,975</u>	<u>24,362</u>
Issued, allotted and fully paid				
Subscription shares of 5 pence each				
Beginning of the year	17,244,859	863	19,008,314	951
Exercise of rights attached to subscription shares and conversion into ordinary shares	(12,710)	(1)	(1,763,455)	(88)
End of the year	<u>17,232,149</u>	<u>862</u>	<u>17,244,859</u>	<u>863</u>
Total share capital		<u>25,068</u>		<u>25,225</u>

The subscription shares were issued as a bonus issue to ordinary shareholders on 11 November 2009 on the basis of one subscription share for every five ordinary shares held. Each subscription share gave the holder the right, but not the obligation, to subscribe for one ordinary share upon payment of the subscription price of 55 pence per subscription share, on the last business day of each month, commenced in February 2010 and finishing on 28 February 2013.

The movements in the ordinary shares and the subscription shares since 31 December 2012 are disclosed in Note 21 on page 49.

13 RESERVES

The "share premium account" represents the amount by which the proceeds from the issue of ordinary shares, on the exercise of rights attached to subscription shares, exceeds the nominal value of those ordinary shares. It is not distributable by way of dividend and it cannot be used to fund share repurchases.

The "capital redemption reserve" maintains the equity share capital of the Company and represents the nominal value of shares repurchased and cancelled. It is not distributable by way of dividend and it cannot be used to fund share repurchases.

The "other reserve" was created in 1999 when the share premium account at that time was cancelled. It is not distributable by way of dividend. It can be used to fund share repurchases.

The "capital reserve" reflects realised gains or losses on investments and derivatives sold, unrealised increases and decreases in the fair value of investments and derivatives held and other income and costs recognised in the capital column of the Income Statement. It is not distributable by way of dividend. It could be used to fund share repurchases if it were not in deficit.

The "revenue reserve" represents the net revenue losses recognised in the revenue column of the Income Statement. It could be distributed by way of dividend if it were not in deficit.

Notes to the Financial Statements

14 NET ASSET VALUE PER SHARE

The undiluted net asset value per ordinary share is based on net assets of £58,034,000 (2011 £62,535,000) and on 96,822,685 (2011 97,447,975) ordinary shares, being the number of ordinary shares in issue at the year end

The diluted net asset value per ordinary share has been calculated on the basis of what the financial position would have been if all the rights attaching to the outstanding subscription shares, of 17,232,149 at 31 December 2012 (2011 17,244,859), had been exercised on that date. This basis of calculation is in accordance with guidelines laid down by the Association of Investment Companies. Undiluted and diluted net asset values per ordinary share are provided to the London Stock Exchange on a daily basis

	2012 £'000	2011 £'000
15 RECONCILIATION OF NET LOSS BEFORE FINANCE COSTS AND TAXATION TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		
Net loss before finance costs and taxation	(4,034)	(3,765)
Capital loss for the year	4,125	3,943
Net revenue return before finance costs and taxation	91	178
Increase in other debtors	(118)	(46)
(Decrease)/increase in other creditors	(135)	58
Overseas taxation suffered	(70)	(75)
Net cash (outflow)/inflow from operating activities	(232)	115
	2012 £'000	2011 £'000

16 RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET FUNDS

Net funds at the beginning of the year	4,056	1,237
Net cash (outflow)/inflow	(2,998)	2,600
Exchange movements	(384)	219
Change in net funds	(3,382)	2,819
Net funds at the end of the year	674	4,056

	2012 £'000	cash flows £'000	exchange movements £'000	2011 £'000
Analysis of net funds				
Cash at bank	674	(2,998)	(384)	4,056

Notes to the Financial Statements

17 FINANCIAL INSTRUMENTS

MANAGEMENT OF RISK

The general risk analysis undertaken by the Board and its overall policy approach to risk management are set out in the Business Review on pages 16 and 17. This Note is incorporated in accordance with Financial Reporting Standard 29 ("FRS 29") "Financial Instruments: Disclosures" and refers to the identification, measurement and management of risks potentially affecting the value of financial instruments.

The Company's financial instruments comprise

- Equity shares held in accordance with the Company's investment objective and policies,
- Derivative instruments which comprise of long CFDs, and
- Cash, liquid resources and short term debtors and creditors that arise from its operations.

The risks identified by FRS 29 arising from the Company's financial instruments are market price risk (which comprises interest rate risk, foreign currency risk and other price risk), liquidity risk, counterparty risk, credit risk and derivative instruments risk. The Board reviews and agrees policies for managing each of these risks, which are summarised in this Note on pages 45 to 47. These policies have remained unchanged since the beginning of the accounting period.

Market price risk

Interest rate risk

The Company finances its operations through share capital raised. In addition, the Company has a geared exposure to Japanese equities through the use of long CFDs, incurs funding costs and provides collateral in yen. It is therefore exposed to a financial risk as a result of any increases in yen interest rates.

Interest rate risk profile of financial assets and liabilities

The Company is exposed to cash flow interest rate risk on the gross exposure less the fair value of the long CFDs and cash at bank. The total exposure and the fair value of the long CFDs is shown in Note 9 on page 42 and cash at bank is shown in the Balance Sheet on page 35.

Foreign currency risk

The Company's total net assets and total return on ordinary activities can be affected by foreign exchange movements because the Company has assets, liabilities and income which are denominated in yen whereas the Company's base currency is UK sterling.

Three principal areas have been identified where foreign currency risk could impact the Company:

- Movements in exchange rates affecting the value of investments and long CFDs,
- Movements in exchange rates affecting short term timing differences, and
- Movements in exchange rates affecting the income received.

The Company does not hedge the UK sterling value of investments or other net assets priced in yen or other currencies by the use of derivative instruments for gearing.

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 yen is converted to UK sterling on receipt.

Other price risk

Other 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. The 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. Other price risks arising from long CFD positions, mainly to do with the underlying exposures, are estimated using Value at Risk and Stress Tests.

Notes to the Financial Statements

17 FINANCIAL INSTRUMENTS continued

Currency exposure of financial assets

The Company's financial assets comprise equity investments, the exposure to the long CFDs (the fair value of the underlying securities within the long CFDs), short term debtors and cash. The currency profile of these financial assets is shown below.

	2012				
	investments designated at fair value through profit or loss £'000	exposure through long CFDs £'000	short term debtors £'000	cash £'000	total £'000
Yen	55,087	15,155	2,561	643	73,446

	2011				
	investments designated at fair value through profit or loss £'000	exposure through long CFDs £'000	short term debtors £'000	cash £'000	total £'000
Yen	58,807	18,216	750	4,007	81,780

Currency exposure of financial liabilities

The Company finances its investment activities through its ordinary share capital and reserves and it has a geared exposure to Japanese equities through the use of long CFDs.

The Company's financial liabilities comprise the total exposure to the long CFDs less their fair value and other short term creditors. The currency profile of these financial liabilities is shown below.

	2012		
	gearing through long CFDs £'000	short term creditors £'000	total £'000
Yen	13,515	1,729	15,244

	2011		
	gearing through long CFDs £'000	short term creditors £'000	total £'000
Yen	18,225	650	18,875

Notes to the Financial Statements

17 FINANCIAL INSTRUMENTS continued

Liquidity risk

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

Counterparty risk

All securities and derivative instruments are transacted with brokers and carry the risk that the counterparty to a transaction may not meet its financial obligations. All counterparties for any type of trading are assessed by an independent Credit Research and Analysis function. Exposures to counterparties are monitored and reported frequently. Margin on exchange-traded derivatives mitigates counterparty risk exposure in accordance with the terms outlined in market standard (ISDA) derivative legal contracts.

Credit risk

Investments may be adversely affected if any of the institutions with which money is deposited suffers insolvency or other financial difficulties. All transactions are carried out with a large number of brokers and are settled on a delivery versus payment basis and limits are set by the Manager on the amount that may be due from any one broker. All security transactions are through brokers which have been approved as an acceptable counterparty. This is reviewed on an ongoing basis. At the year end, the exposure to credit risk includes cash at bank, outstanding securities transactions and the CFDs at fair value.

Derivative instruments risk

The risks and risk management processes which result from the use of derivative instruments are included within the other risk categories disclosed in this Note on pages 45 to 47.

Derivative instruments are used by the Manager to gain unfunded long exposure to equity markets, sectors or single stocks. "Unfunded" exposure is exposure gained without an initial outflow of capital.

The risk and performance contribution of these instruments to the Company's portfolio is overseen by the Manager's specialist derivative instruments team which draws on over forty years of specialist experience in derivative risk management. This team uses portfolio risk assessment tools to advise the Manager on portfolio construction.

RISK SENSITIVITY ANALYSIS

Investments exposure sensitivity analysis

An increase of 10% in the fair value of the investments at 31 December 2012 would have increased total net assets and total return on ordinary activities by £5,509,000 (2011: £5,881,000). A decrease of 10% would have had an equal but opposite effect.

Derivative instruments exposure sensitivity analysis

The Company also invests in long CFDs to gain exposure to the equity markets. An increase of 10% in the price of shares underlying the long CFDs at 31 December 2012 would have increased total net assets and total return on ordinary activities by £1,516,000 (2011: £1,822,000). A decrease of 10% would have had an equal but opposite effect.

Interest rate risk sensitivity analysis

If the Company's exposures at 31 December 2012 to bank balances and long CFDs were held throughout the year, with all other variables held constant, then if interest rates increased by 0.25%, total net assets and the total return on ordinary activities would have decreased by £32,000 (2011: £35,000). A decrease in interest rates by 0.25% would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

At 31 December 2012, if UK sterling had strengthened by 10% against the yen, this being the largest currency exposure, then with all other variables held constant, total net assets and total return on ordinary activities would have decreased by £6,521,000 (2011: 7,313,000). A 10% weakening of UK sterling against the yen, with all other variables held constant, would have increased total net assets and total return on ordinary activities by £7,971,000 (2011: £8,938,000).

Other price risk sensitivity analysis

Changes in market prices other than those arising from interest rate risk or foreign currency risk may also affect the value of the Company's net assets and its total return on ordinary activities. Details of how the Board sets risk parameters and performance objectives can be found on pages 16 and 17 of the Directors' Report.

Notes to the Financial Statements

17 FINANCIAL INSTRUMENTS continued

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As explained in Note 1(g) and 1(h) on pages 37 and 38 investments are stated at fair value, which is bid or last market price, and long CFDs are stated at fair value, which is the difference between the settlement price and the value of the underlying shares in the contract. Other financial assets and liabilities are stated in the Balance Sheet at values which are not materially different to their fair values. In the case of cash, book value approximates to fair value due to the short maturity of the instruments.

FAIR VALUE HIERARCHY

FRS 29 requires financial companies to disclose the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values.

Classification	Input
Level 1	Valued using quoted prices in active markets for identical assets
Level 2	Valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1
Level 3	Valued by reference to valuation techniques using inputs that are not based on observable market data

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

The techniques used by the Company to value its financial instruments are explained in the Accounting Policies Note 1(g) and 1(h) on pages 37 and 38. The investments held by the Company of £55,087,000 (2011: £58,807,000) are considered to fall within Level 1. The derivative instruments held, consisting of long CFD net assets of £1,640,000 (2011: net liabilities of £9,000) are considered to fall within Level 2.

18 CAPITAL MANAGEMENT

The Company does not have any externally imposed capital requirements. The capital of the Company comprises its gearing, which is managed via the use of long CFDs, share capital and reserves which are disclosed in the Balance Sheet on page 35 and are managed in accordance with its investment policy in pursuit of its investment objective, which is detailed on page 15 of the Directors' Report. The principal risks and their management are disclosed on pages 16 and 17 and in Note 17 on pages 45 to 47.

19 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 31 December 2012 (2011: nil).

20 RELATED PARTY TRANSACTIONS

The Directors have complied with the provisions of Financial Reporting Standard 8 "Related Party Disclosures", which require disclosure of related party transactions and balances. FIL Investments International is the Manager and Secretary of the Company and details of the services provided and fees paid are given on page 19. Fees paid to the Directors are disclosed in the Directors' Remuneration Report on page 30.

Notes to the Financial Statements

21 POST BALANCE SHEET EVENT

On 31 January 2013 following the exercise by subscription shareholders of the right to subscribe for ordinary shares at a fixed price of 55 pence per subscription share, 12,651 subscription shares were converted to ordinary shares. A further 7,019,489 subscription shares were converted to ordinary shares on 28 February 2013, the final exercise date for subscription shareholders. The remaining 10,200,009 subscription shares that had not been exercised by shareholders were exercised on 1 March 2013, at the subscription price of 55 pence per subscription share, by the Final Subscription Trustee, appointed in accordance with the Subscription Share Prospectus.

Following the above conversions, at 1 March 2013 there were 114,054,834 (31 December 2012 96,822,685) ordinary shares in issue and nil subscription shares in issue (31 December 2012 17,232,149). The share capital of the Company was £28,514,000 (31 December 2012 £25,068,000), the share premium account was £6,735,000 (31 December 2012 £703,000) and the proceeds received from the conversions had increased the net assets of the Company by £9,478,000.

Full Portfolio Listing as at 31 December 2012

Portfolio, including long CFDs	Exposure £'000	Fair Value ¹ £'000	Exposure % ²
LIXIL Group	2,343	2,343	3.3
Sekisui Chemical (CFD)	2,251	577	3.2
Maruwa	2,016	2,016	2.9
Honeys	1,969	1,969	2.8
Takata (CFD)	1,966	(247)	2.8
Bit-Isle	1,947	1,947	2.8
Kakaku com (CFD)	1,752	333	2.5
M3 (CFD)	1,612	456	2.3
Sumitomo Rubber (CFD)	1,447	169	2.0
1st Holdings	1,398	1,398	2.0
Sumitomo Electric Industries	1,368	1,368	1.9
Hitachi Capital	1,332	1,332	1.9
JSP	1,258	1,258	1.8
Kubota (CFD)	1,174	33	1.7
Disco	1,137	1,137	1.6
Hitachi Chemical	1,078	1,078	1.5
Nifco	1,034	1,034	1.5
Tokai Rubber Industries	1,034	1,034	1.5
Nidec	979	979	1.4
Warabeya Nichiyo	929	929	1.3
JP Holdings	887	887	1.3
Aisin Seiki	881	881	1.3
Hitachi Transport System	872	872	1.2
Aeon Credit Service	870	870	1.2
Shinsei Bank	818	818	1.2
Anicom Holdings	797	797	1.1
Yamada Denki	795	795	1.1
NTT Urban Development (CFD)	784	96	1.1
Ship Healthcare Holdings	784	784	1.1
Hirose Electric	780	780	1.1
Toray Industries (CFD)	780	12	1.1
Sony Financial Holdings	779	779	1.1
Fast Retailing (CFD)	760	120	1.1
Asahi Intecc	742	742	1.1
Kinugawa Rubber Industries	738	738	1.1
Tamron	730	730	1.0
Calsonic Kansei	722	722	1.0
Sumitomo Chemical	719	719	1.0
Chiba Bank	712	712	1.0
Nitto Denko (CFD)	699	-	1.0
Yokogawa Bridge Holdings	697	697	1.0
Totetsu Kogyo	692	692	1.0
FP (CFD)	675	145	1.0

Full Portfolio Listing as at 31 December 2012

Portfolio, including long CFDs	Exposure £'000	Fair Value ¹ £'000	Exposure % ²
Minebea	673	673	1.0
GMO Payment Gateway (CFD)	663	(11)	0.9
Toyo Engineering	652	652	0.9
Stanley Electric	651	651	0.9
Nichias	619	619	0.9
Wacom	616	616	0.9
Hitachi High Technologies	608	608	0.9
Sumitomo Mitsui (CFD)	592	(43)	0.8
Sanrio	564	564	0.8
Keihin Seiki Manufacturing	562	562	0.8
GMO Internet	548	548	0.8
Nippon Synthetic Chemical Industry	546	546	0.8
Anritsu	527	527	0.8
Daicel Corporation	520	520	0.7
Hamamatsu Photonics	514	514	0.7
Lintec	501	501	0.7
Yumeshin Holdings	490	490	0.7
Escrit	488	488	0.7
Zeon	485	485	0.7
Lasertec	469	469	0.7
Arnest One	467	467	0.7
Eiken Chemical	466	466	0.7
Japan Aviation Electronics	451	451	0.6
Foster Electric	443	443	0.6
Paramount Bed Holdings	440	440	0.6
THK	436	436	0.6
Takuma	435	435	0.6
Mobcast	434	434	0.6
Aeon Fantasy	418	418	0.6
Cookpad	395	395	0.6
EPS	392	392	0.6
Taiko Pharmaceutical	391	391	0.6
Harmonic Drive Systems	389	389	0.6
Resona Holdings	371	371	0.5
OSG	362	362	0.5
Gulliver International	357	357	0.5
Welcia Holdings	356	356	0.5
Wirelessgate	351	351	0.5
Amiyaki Tei	344	344	0.5
Seven Bank	324	324	0.5
PAL	322	322	0.5
Odelic	318	318	0.5
Nippon Ceramic	312	312	0.4

Full Portfolio Listing as at 31 December 2012

Portfolio, including long CFDs	Exposure £'000	Fair Value ¹ £'000	Exposure % ²
Topre	310	310	0.4
Tokyo Denka	275	275	0.4
Tosho	250	250	0.4
Livesense	227	227	0.3
Sanwa Holdings	212	212	0.3
Hajime Construction	202	202	0.3
AP Company	194	194	0.3
Outsourcing	188	188	0.2
Kobe Bussan	176	176	0.2
Financial Products Group	128	128	0.1
Taiho Kogyo	41	41	0.1
Tsukui	40	40	0.1
Total portfolio (including long CFDs)	70,242	56,727	100.0

¹ Fair value represents the carrying value in the Balance Sheet on page 35

² % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs

	2012 £'000	2011 £'000
GEARING		
Investments at fair value	55,087	58,807
Exposure to long CFDs	15,155	18,216
Total portfolio exposure	70,242	77,023
Shareholders' funds	58,034	62,535
Total portfolio exposure in excess of total net assets	21.0%	23.2%

Notice of 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 14 May 2013 at 12 noon for the following purposes

ORDINARY BUSINESS

- 1 To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2012
- 2 To re-elect Mr Simon Fraser as a Director
- 3 To re-elect Mr Philip Kay as a Director
- 4 To re-elect Mr David Miller as a Director
- 5 To approve the Directors' Remuneration Report for the year ended 31 December 2012
- 6 To reappoint Grant Thornton UK LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company
- 7 To authorise the Directors to determine the Auditor's remuneration

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions of which Resolutions 8 and 11 will be proposed as ordinary resolutions and Resolutions 9 and 10 as special resolutions

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 21 March 2013. 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

- 8 THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company ("equity securities") up to an aggregate nominal amount of £1,424,435 (approximately 5% of the aggregate nominal amount of the issued ordinary share capital of the Company as at 21 March 2013) 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 equity 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 generally and

unconditionally authorised, pursuant to Sections 570 and 573 of the Companies Act 2006 to allot equity securities (as defined in Section 560 of that Act) for cash pursuant to the authority given by the said Resolution 8 as if Section 561 of that 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),
- b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £1,424,435 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 21 March 2013), and
- c) to the allotment of equity securities at a price of not less than the 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 ordinary shares for cancellation. The limit set by the Board is 14.99% respectively of the number of ordinary shares in issue on 21 March 2013. 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 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 25p each in the capital of the Company (the "ordinary shares") provided that

- a) the maximum number of shares hereby authorised to be purchased shall be 17,081,829 ordinary shares,

Notice of Meeting

- b) the minimum price which may be paid for an ordinary share is 25p,
- c) the maximum price which may be paid for an ordinary 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 authorities hereby conferred shall expire at 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 ordinary 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

Resolution 11 is an ordinary resolution, which relates to the continuation of the Company as an investment trust

11 THAT the Company continue to carry on business as an investment trust

By Order of the Board
FIL Investments International
Secretary
21 March 2013

Notes

- 1 A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy or proxies to attend and to speak and vote instead of him. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.
- 2 A Form of Proxy is enclosed and must be returned to the Registrars at the address on the form to arrive not later than 12 noon on 10 May 2013. 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 notari ally or in some other way approved by the Directors), must be deposited with the Company's Registrars, Capita Registrars, P O 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 To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 12 noon on 10 May 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35 (5) (a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrars no later than 12 noon on 10 May 2013.
- 6 All members are entitled to attend and vote at the Annual General Meeting and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at 5.30pm on 10 May 2013.
- 7 Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in paragraph 1 above does not apply to

Notice of Meeting

Nominated Persons The right described in that paragraph can only be exercised by members of the Company

- 8 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Services Authority
- 9 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes they may cast), members must be entered on the Register of Members by 5.30pm on 10 May 2013. If the meeting is adjourned then, to be so entitled, members must be entered on the Register of Members at 5.30pm on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice
- 10 As at 21 March 2013 (the latest practicable date prior to the publication of this document) the Company's issued ordinary share capital consisted of 113,954,834 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the Company as at 21 March 2013 was 113,954,834
- 11 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares
- 12 Shareholders and any proxies or representatives they appoint understand that 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
- 13 It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which annual reports and financial statements were laid. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website
- 14 Under Section 338 and Section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting, and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in such business. A resolution may properly be moved or a matter may properly be included in the business of the meeting unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business of the meeting, must be authorised by the person or persons making it, must be received by the Company not later than 1 April 2013 being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business of the meeting only) must be accompanied by a statement setting out the grounds for the request
- 15 No Director has a service contract with the Company
- 16 A copy of this notice and other information required by Section 311A of the Companies Act 2006 is published on the Company's website at www.fidelity.co.uk/its

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

Corporate Information

Manager, Secretary and

Registered Office

FIL Investments International
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP

Financial Advisers

and Stockbrokers

Canaccord Genuity Ltd
88 Wood Street
London
EC2V 7QR

Independent Auditor

Grant Thornton UK LLP
Chartered Accountants and
Registered Auditor
30 Finsbury Square
London
EC2P 2YU

Bankers and Custodian

JPMorgan 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

Speechly Bircham LLP
6 New Street Square
London
EC4A 3LX

The Company was launched on 17 November 1994 with one warrant attached to every five shares (the final subscription date for the warrants was 30 April 2004). The original subscription price for each share was £1. The Company issued one subscription share for every five ordinary shares held on 11 November 2009 (the final subscription date for the subscription shares was 28 February 2013). The Company is a member of The Association of Investment Companies ("AIC") from whom general information on investment trusts can be obtained by telephoning 020 7282 5555 (email address enquiries@theaic.co.uk).

PRICE INFORMATION

The market price of the ordinary shares is published daily in the Financial Times under the heading "Investment Companies". The ordinary share price is also published in The Times, The Daily Telegraph and The Independent.

You can also obtain current price information by telephoning Fidelity on 0800 41 41 10 (freephone) or by telephoning FT Cityline on 0905 817 1690, (voice activated service – all calls charged at 60p per minute on a per second basis from a BT landline. Charges for other telephone networks may vary). The Reuters code for Fidelity Japanese Values is FJVL, the SEDOL is 0332855 and the ISIN is GB0003328555.

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 ordinary shares and warrants, acquired at the time of the Company's launch, is 90.21p. All UK individuals under present legislation are permitted to have £10,600 of capital gains in the current tax year 2012/2013 (2011/2012: £10,600) before being liable for capital gains tax. Capital gains tax is charged at 18% and 28% dependent on the total amount of taxable income.

The receipt by ordinary shareholders of the subscription shares arising from the Bonus Issue on 12 November 2009 was treated as a reorganisation of the share capital of the Company. Accordingly, the subscription shares were treated as the same asset as a shareholder's holdings of ordinary shares and as having been acquired at the same time as the shareholder's holding of ordinary shares was acquired. As a result of the Bonus Issue the shareholder's original base cost in his or her ordinary shares will be apportioned between these ordinary shares and the subscription shares by reference to their respective market values on the day on which the subscription shares were admitted to trading on the London Stock Exchange's market for listed securities, i.e. 12 November 2009.

The middle market prices of the ordinary shares and subscription shares at close of business on 12 November 2009 were 46.00 pence and 11.25 pence per share respectively.

The base cost of ordinary shares equals actual base cost to the shareholder of the ordinary shares multiplied by market value of the ordinary shares on 12 November 2009 divided by market value of the ordinary shares on 12 November 2009 plus market value of the subscription shares on the same date.

The base cost of the subscription shares is deemed to be the actual base cost of the ordinary shares less the deemed base cost of the ordinary shares calculated as described above. On the exercise of the right to convert any subscription shares into ordinary shares, the ordinary shares issued pursuant to the subscription share rights will be treated as the same asset as the subscription shares in respect of which the subscription share rights are exercised.

The base cost of each such ordinary share will be the deemed base cost of the subscription share that it replaces, calculated as described above, plus the applicable subscription price of 55 pence per share.

Investing in Fidelity Japanese Values PLC

The Manager of the Company – FIL Investments International – offers a range of options, so that you can invest in the way that is best for you. As Fidelity Japanese Values PLC is a company listed on the London Stock Exchange you can also buy its shares through a stockbroker, share shop or bank

INVESTING INSIDE AN ISA

You may invest in the Company's shares through the Fidelity ISA ("Individual Savings Account"). A Fidelity ISA can be an excellent way to get more from your investment, because you will not have to pay income or capital gains tax on your returns.

The maximum investment in a stocks and shares ISA is £11,280 for the 2012/2013 tax year and for 2013/2014 the new allowance is £11,520. The full amount may be invested in a Stocks and Shares ISA, or you can invest up to half the ISA allowance in a Cash ISA and the balance in a Stocks and Shares ISA. The minimum investment per fund in the Fidelity ISA is £1,000 as a lump sum, £250 as a top-up, or £50 a month per company in a regular savings plan.

Charges – Initial Charges for investments in the Fidelity ISA may vary. For those investing personally (directly with Fidelity), there will be no initial charge. Those investing through an intermediary will pay a basic initial charge of 0.5% plus any initial fee or commission (where applicable) agreed with their intermediary. Fidelity pays stamp duty from the initial charge. There are no other charges for the Fidelity ISA, but the Company pays an annual management charge to Fidelity of 1.0% per annum.

MOVING MONEY FROM PREVIOUS ISAS

If you have opened ISAs with other investment companies, you can move them into the Fidelity ISA and invest in Fidelity Japanese Values PLC without losing any tax benefits. Please note that during the transfer your money will not be invested in the stock market so you may miss out on any growth during this time.

Charges – Fidelity does not apply an initial charge for a transfer into Fidelity Japanese Values PLC. You will also not have to pay any additional transfer costs. However, please bear in mind that your current ISA manager may ask you to pay an exit fee. If your old fund provider charges you a fee for leaving them, you can claim it back from us. Please note this offer does not apply to our share dealing service.

INVESTING OUTSIDE AN ISA

If you prefer to invest outside an ISA, or have already used your full ISA allowance, the Fidelity Investment Trust Share Plan offers you a low-cost and convenient way to put money into Fidelity Japanese Values PLC. The minimum investment is £1,000 as a lump sum, £250 as a top-up or £50 a month through a regular savings plan. Holding shares within the Share Plan allows you to reinvest your dividends and make further investments without having to pay brokerage fees. You will also be able to set up a monthly savings plan and receive statements and valuations twice a year.

Investing for children – the Share Plan is a flexible and inexpensive way to invest on behalf of children. All you have to do is enter the initials or name of the child in the Designation Box on the Share Plan application form.

Charges – There are no charges for buying, selling or holding shares through the Fidelity Investment Trust Share Plan other than stamp duty of 0.5%, which is currently payable on all share purchases. However, if you invest through a Financial Adviser, there may be an additional initial charge of up to 3% agreed with your adviser.

BENEFICIAL OWNERS OF SHARES – INFORMATION RIGHTS

Registered shareholders of fully listed companies are able to nominate the underlying beneficial owners of their shares to receive information rights. You should contact your registered shareholder direct to request to receive your information rights. Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's Registrars, Capita Registrars, or to the Company direct.

INVESTING ONLINE

Whilst you cannot use a Debit Card online to buy an ISA or Share Plan, the application forms you need are all available via www.fidelity.co.uk/its. You can also invest online in Fidelity Japanese Values PLC shares via the share trading facility available via our website www.fidelity.co.uk/sharenetwork. The Share Dealing service, ShareNetwork, is provided by Xest which is the online trading division of Charles Stanley & Co Limited, a leading London stockbroker. ShareNetwork enables you to buy or sell shares in any listed company during normal London Stock Exchange trading hours – between 8am and 4.30pm any working day. Shares in ShareNetwork can either be held direct or in an ISA, subject to the normal ISA limits and restrictions. You will be shown a live price and be able to buy or sell immediately. If an order is placed when the market is closed, it will be processed as soon as the market reopens. Unlike many online share dealing services, Fidelity ShareNetwork gives you CREST personal membership for shares held direct. This means that shares are registered on the CREST system in your own name and everything relating to your shares – dividends, annual reports and so on – will be sent direct to you and you will be able to attend and vote at shareholder meetings in your own name.

Personal CREST membership does not apply to ISA holdings which must be held in the name of the ISA manager's nominee under ISA regulations. There is no extra charge for opening a ShareNetwork ISA and share purchases or sales are executed online for only £9 per trade (Stamp duty is also payable on purchases at the rate of 0.5%). There is an account administration fee of £5.10 per month, however many different shares you own and whatever their value. Of course, you need to remember that the value of tax savings and eligibility to invest in an ISA will depend on your individual circumstances, and all tax rules may change in the future.

Investing in Fidelity Japanese Values PLC

CONTACT INFORMATION

Private investors call free to 0800 41 41 10, 9am to 6pm, Monday to Saturday

Financial advisers call free to 0800 41 41 81, 8am to 6pm, Monday to Friday
www.fidelity.co.uk/its

Existing shareholders who have a specific query regarding their holding or need to provide update information, for example a change of address, should contact the appropriate administrator

Holders of ordinary shares

Capita Registrars, Registrars to Fidelity Japanese Values PLC,
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR
Telephone 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open 8.30am – 5.30pm Monday to Friday)
email ssd@capitaregistrars.com

Details of individual shareholdings and other information can also be obtained from the Registrars' website
www.capitaregistrars.com

Fidelity Share Plan investors

Fidelity Investment Trust Share Plan, PO Box 24035, 12 Blenheim Place, Edinburgh, EH7 9DD Telephone 0845 358 1107 (calls to this number are charged at 3.95p per minute from a BT landline dependent on the tariff. Other telephone service providers' costs may vary)

Fidelity ISA investors

Fidelity, using the freephone numbers given above, or by writing to UK Customer Service, Fidelity Worldwide Investment, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ

General enquiries should be made to Fidelity, the Investment Manager and Secretary, at the Company's registered office
FIL Investments International Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP
Telephone 01732 361144 Fax 01737 836 892
www.fidelity.co.uk/its

ONLINE SHAREHOLDER SERVICES – SHARE PORTAL

Through the website of our Registrars, Capita Registrars, shareholders are able to manage their shareholding online by registering for the Share Portal, a free, secure, online access to your shareholding. Facilities include

- **Account Enquiry** – Allows shareholders to access their personal shareholding, including share transaction history, dividend payment history and to obtain an up-to-date shareholding valuation,

- **Amendment of Standing Data** – Allows shareholders to change their registered postal address and add, change or delete dividend mandate instructions. Shareholders can also download from this site forms such as change of address, stock transfer and dividend mandate forms as well as buy and sell shares in the Company

To make use of any of these facilities, please log on to the Capita Registrars website at www.capitashareportal.com

Should you have any queries in respect of the above facilities, please do not hesitate to contact the Capita Share Portal helpline on 0871 664 0391 (calls cost 10p plus network extras), overseas +44 20 8639 3367, or by e-mail at shareportal@capita.co.uk

Capita Share Dealing Services – You can make use of a low cost share dealing service provided by Capita Registrars to buy or sell shares. Further information is available at www.capitadeal.com, or by telephoning 0871 664 0454 (calls cost 10p per minute plus network extras. Lines are open 8.30am – 5.30pm Monday to Friday). Using Capita Share Dealing Services you will also be able to deal in the shares of other companies for which Capita acts as Registrar, provided you are already a shareholder in the relevant company, and that company offers the Share Deal facility to its shareholders.

ShareGift – You may donate your shares to charity free of charge through ShareGift. Further details are available at www.sharegift.org.uk or by telephoning 020 7930 3737

KEEPING YOU UPDATED

If you hold Fidelity Japanese Values PLC shares in an ISA, you will receive a yearly report detailing all of your transactions and the value of your shares. Investors with the Fidelity Investment Trust Share Plan will receive statements and valuations twice a year.

The share price of Fidelity Japanese Values PLC appears daily in The Financial Times. Price and performance information is also available at fidelity.co.uk/its. Investors can obtain the real-time share price by telephoning Fidelity for free on 0800 41 41 10 or FT Cityline on 0905 817 1690, (voice activated service – calls charged at 60p per minute on a per second basis from a BT landline. Charges from other telephone networks may vary.)

Investing in Fidelity Japanese Values PLC

FURTHER INFORMATION

For application forms or more information about any of the investment options described here, please call the Fidelity Investment Trust Line on 0800 41 41 10 and talk to a Fidelity customer representative (9am to 6pm)

Alternatively, you may like to visit the Fidelity London Investor Centre at 25 Cannon Street, next to St Paul's Cathedral

You can also find out more by visiting fidelity.co.uk/its or contacting your Financial Adviser

The Fidelity Individual Savings Account ("ISA") is offered and managed by Financial Administration Services Limited. The Fidelity Investment Trust Share Plan is managed by FIL Investments International. Both companies are regulated by the Financial Services Authority. The Fidelity Investment Trust Share Plan is administered by Bank of New York Mellon and shares will be held in the name of Bank of New York Nominees Limited.

The value of savings and eligibility to invest in an ISA will depend on individual circumstances and all tax rules may change in the future. Fidelity investment trusts are managed by FIL Investments International. Fidelity only gives information about its own products and services and does not provide investment advice based on individual circumstances. Should you wish to seek advice, please contact a Financial Adviser.

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. For funds that invest in overseas markets, changes in currency exchange rates may affect the value of your investment. Investing in small and emerging markets can be more volatile than older developed markets. Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only. Investors should also note that the views expressed may no longer be current and may have already been acted upon by Fidelity.

Issued by Fidelity Japanese Values PLC

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The content of websites referenced in this document does not form part of the Annual Report.

Glossary of Terms

BENCHMARK

Russell Nomura Mid/Small Cap Index against which the performance of the Company is measured

CAPITAL GAINS TAX (CGT)

The tax which you may have to pay if you sell your shares at a profit

COLLATERAL

Asset provided as security for the unrealised gain or loss under a Contract For Difference

CONTRACT FOR DIFFERENCE (CFD)

A Contract For Difference is a derivative. It is a contract between the Company and an investment house at the end of which the parties exchange the difference between the opening price and the closing price of an underlying asset (which, for the Company's Contracts for Difference are equity shares, which the Company might otherwise purchase directly). It does not involve the Company buying or selling the underlying asset, only agreeing to receive or pay the movement in its share price. A Contract For Difference allows the Company to gain access to the movement in the share price by depositing a small amount of cash known as margin. The Company only uses "long" Contracts for Difference. On "long" Contracts for Difference, dividends are received and interest is paid.

If the closing price is higher than the opening price the Contract For Difference is in profit and it is included within "Long CFDs - assets". If the closing price is lower than the opening price the Contract For Difference is showing a loss and it is included within "Long CFDs - liabilities".

CORPORATION TAX

The tax the Company may have to pay on its profits for a year. Investment trust companies are exempt from corporation tax on their capital gains and do not pay tax on any UK dividends. As they can offset expenses against any taxable income, most investment trusts do not pay corporation tax and are therefore tax efficient.

DERIVATIVES

Financial instruments (such as futures, options and Contracts For Difference) whose value is derived from the value of an underlying asset.

DISCOUNT

If the share price of the Company is lower than the net asset value per share, the Company's shares are said to be trading at a discount. The discount is shown as a percentage of the net asset value. The opposite of a discount is a premium. It is more common for an investment trust to trade at a discount than a premium.

FAIR VALUE

The fair value is the best estimate of the value of the investments, including derivatives, at a point in time and this is measured as:

- Listed investments valued at bid prices, or last market prices, where available, otherwise at published price quotations,
- Unlisted investments valued using an appropriate valuation technique in the absence of an active market,
- Contracts For Difference are valued as the difference between the settlement price of the contract and the value of the underlying shares in the contract (unrealised gains or losses)

GEARING

Gearing describes the level of a Company's leverage and is usually expressed as a percentage. It can be obtained through the use of bank loans, bank overdrafts or Contracts For Difference in order to increase a Company's exposure to stocks. Gearing is permitted in order to buy or gain exposure to further investments. If assets rise in value, gearing magnifies the return to ordinary shareholders. Correspondingly, if the assets fall in value, gearing magnifies the fall. Gearing reflects the amount of leverage the Company uses to invest in the market. Contracts For Difference are used as a way of gaining exposure to the price movements of shares without buying the underlying shares directly.

In a simple example, if a company has £100 million of net assets and £8 million of borrowings (either via bank loans or long Contracts For Difference) then the Shareholders' funds are 8% geared. Normally, the higher the gearing, the more sensitive an investment trust's shares will be to the movements up and down in the value of the investment portfolio.

HEDGING

A strategy aimed at minimising or eliminating the risk or loss through adverse movements, normally involving positions in two different markets, with one offsetting the other. The Company uses derivative instruments for gearing and investment rather than hedging purposes.

NET ASSET VALUE (NAV)

Net asset value is sometimes also described as "shareholders' funds", and represents the total value of the Company's assets less the total value of its liabilities. For valuation purposes it is common to express the net asset value on a per share basis.

ONGOING CHARGES

Total expenses (excluding finance costs and taxation) incurred by the Company as a percentage of average net asset values (previously known as the total expense ratio).

Glossary of Terms

PRE-EMPTION RIGHTS

Section 561 of the Companies Act 2006 provides that a company offering a new issue of shares must first make an offer of these shares, on the same or more favourable terms, in proportion to the nominal value held by existing shareholders. At each annual general meeting, the Board seeks shareholder approval to disapply pre-emption right provisions, up to 5%.

PREMIUM

If the share price of the Company is higher than the net asset value per share, the Company's shares are said to be trading at a premium. The premium is shown as a percentage of the net asset value. The opposite of a premium is a discount.

RETURN/(LOSS)

The return/(loss) generated in the period from the investments.

- **Revenue Return/(Loss)** reflects the dividends and interest from investments and other income, net of expenses, finance costs and taxation,
- **Capital Return/(Loss)** reflects the return on capital, excluding any revenue returns,
- **Total Return/(Loss)** reflects the aggregate of revenue and capital returns.

SHARE REPURCHASES

An increasingly popular way for investment trust companies to return cash to their shareholders is through offering to repurchase a proportion of shares currently held. Companies seek the permission of shareholders to do so at their annual general meetings allowing them to repurchase a proportion of their total shares (up to 14.99%) in the market at prices below the prevailing net asset value per share. This process is also used to enhance the net asset value per share and to reduce the discount to net asset value.

SHAREHOLDERS' FUNDS

Shareholders' funds are also described as "net asset value" and represent the total value of the Company's assets less the total value of its liabilities.

TOTAL PORTFOLIO EXPOSURE

The total of fixed asset investments at fair value plus the fair value of the underlying securities within the Contracts For Difference.

TOTAL RETURN PERFORMANCE

The return on the share price or net asset value per share taking into account the rise and fall of share prices and the dividends paid to shareholders. Any dividends received by the shareholder are assumed to have been reinvested in additional shares (for share price total return) or the Company's assets (for net asset value total return).

Warning to Shareholders

SHARE FRAUD WARNING

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Services Authority (FSA) has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK each year.

PROTECT YOURSELF

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

- 1 Get the name of the person and organisation contacting you
- 2 Check the FSA Register at www.fsa.gov.uk/fsaregister to ensure they are authorised
- 3 Use the details on the FSA Register to contact the firm
- 4 Call the FSA Consumer Helpline on **0845 606 1234** if there are no contact details on the Register or you are told they are out of date
- 5 Search the FSA's website list of unauthorised firms and individuals to avoid doing business with
- 6 **REMEMBER** if it sounds too good to be true, it probably is!

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

REPORT A SCAM

If you are approached about a share scam you should tell the FSA using the share fraud reporting form at www.fsa.gov.uk/scams, where you can find out about the latest investment scams. You can also call the Consumer Helpline on **0845 606 1234**.

If you have already paid money to share fraudsters you should contact Action Fraud on

0300 123 2040

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