

Fidelity Japanese Values PLC

Annual Report For the year ended 31 December 2016

Company number 2885584

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"The Board has been very focused on improving the performance of the Company, believing that this, coupled with increasing interest in Japan itself, will make the Company more appealing to existing and potential investors. To this end, the Board and Fidelity changed the Portfolio Manager in 2015 and introduced Nicholas Price. His particular focus on bottom up research into small and medium sized companies, identifying those with above average growth potential at a reasonable valuation, has led to a marked improvement in performance. The Board believes that the Company is now well positioned to offer a sharp focus to those investors seeking differentiated exposure to the Japanese market."

David Robins, Chairman

Investment Objective and Performance

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.

Performance (year ended 31 December 2016)

Net Asset Value ("NAV") per Ordinary Share Total Return (Undiluted)

+20.5%
(2015: +24.6%)

Ordinary Share Price Total Return

+17.0%
(2015: +20.5%)

Russell Nomura Mid/Small Cap Index Total Return (in sterling terms)*

+22.0%
(2015: +19.4%)

* The Company's Reference Index

As at 31 December 2016

Shareholders' Funds	£166.4m
Market Capitalisation	£138.0m
Capital Structure:	
Ordinary shares of 25 pence each held outside Treasury	135,981,695

Financial Summary

	2016	2015
Assets at 31 December		
Total portfolio exposure ¹	£206.9m	£135.3m
Shareholders' funds	£166.4m	£116.0m
Total portfolio exposure in excess of shareholders' funds (Gearing - see page 18)	24.3%	16.6%
NAV per ordinary share - undiluted	122.37p	101.56p
NAV per ordinary share - diluted ²	122.37p	99.08p
Stockmarket data at 31 December		
Russell Nomura Mid/Small Cap Index (in sterling terms)	3,2992	2,7042
Yen/£ exchange rate	144.120	177.303
Ordinary share price at the year end	101.50p	86.75p
year high	107.00p	88.00p
year low	70.50p	71.00p
Discount - undiluted at the year end	17.1%	14.6%
year high	22.1%	17.7%
year low	8.8%	6.7%
Subscription share price at the year end	n/a	3.13p
Total returns for the year to 31 December		
NAV per ordinary share - undiluted	+20.5%	+24.6%
Ordinary share price	+17.0%	+20.5%
Russell Nomura Mid/Small Cap Index (in sterling terms)	+22.0%	+19.4%
Results for the year to 31 December - see page 41		
Revenue return/(loss) per ordinary share	0.07p	(0.14p)
Capital return per ordinary share	24.56p	20.24p
Total return per ordinary share	24.63p	20.10p
Ongoing charges for the year to 31 December³	1.46%	1.52%

1 The total exposure of the investment portfolio, including exposure to the investments underlying the long contracts for difference

2 There was no diluted net asset value per ordinary share at 31 December 2016 as all the subscription share rights were exercised during the year

3 Ongoing charges (excluding finance costs and taxation) as a percentage of average net asset values for the reporting year (prepared in accordance with methodology recommended by the Association of Investment Companies).

Chairman's Statement

I have pleasure in presenting the Annual Report of Fidelity Japanese Values PLC for the year ended 31 December 2016.

David Robins
Chairman

The Board has been very focused on improving the performance of the Company, believing that this, coupled with increasing interest in Japan itself, will make the Company more appealing to existing and potential investors. To this end, the Board and Fidelity changed the Portfolio Manager in 2015 and introduced Nicholas Price. His particular focus on bottom up research into small and medium sized companies, identifying those with above average growth potential at a reasonable valuation, has led to a marked improvement in performance. The Board believes that the Company is now well positioned to offer a sharp focus to those investors seeking differentiated exposure to the Japanese market.

Performance Review

Following a significant correction in the first half of 2016, the Japanese market rebounded on the back of a pickup in the global economic cycle and the renewed depreciation of the yen. As risk sentiment improved and corporate earnings, which had fallen sharply in the first half of the year, reversed course, share prices recouped their earlier losses. While the broad-based TOPIX was largely unchanged in local currency terms, the appreciation of the yen over the calendar year, when it rose by almost 20% against sterling, meant that the Japanese market delivered strong gains in sterling terms.

asset value ("NAV") rose by 20.5% to 122.37 pence per share, marginally underperforming the Russell Nomura Mid/Small Cap Index, which gained by 22.0% in sterling terms. The dilutive effect of the subscription shares exercised in 2016 reduced the NAV per share return by 3.0%. Despite this, NAV performance compared favourably with that of our peer group, and the Company ranked in first place over the year under review. The share price also went up, but only by 17.0% per share to 101.50 pence, as the Company's share discount to NAV widened to 17.1%. However, against the Company's peers, the share price performed favourably and ranked second for the reporting period.

Due Diligence visit to Osaka and Tokyo

Towards the end of October 2016, the Board carried out its annual due diligence visit to Japan. This began with a company meeting with Zojirushi in Osaka. This meeting provided the opportunity to meet independently with senior management of the company, which represented 2.8% of the portfolio at that time. The remainder of the trip was undertaken in Tokyo, starting with attendance at the annual Economist conference, at which a number of important corporate and political figures made presentations and took questions. This was followed by meetings in Fidelity International's Japanese office with management and analysts, which included a review of Fidelity's investment processes, as well as meetings with external specialists on the economy, political background and the market. Further company meetings were also held with Ryohin Keikaku and AEON Financial Services, at that time representing 3.0% and 3.8% respectively of the portfolio. These meetings allowed the Board to observe Nicholas and Fidelity's analysts in action as they discussed and challenged management teams. The result of this intensive meeting schedule was that the Board came away with a good overview of the current investment backdrop in Japan and prospects for the equity market.

Results and Dividends

For the first time since 2011, the Company has a revenue return of £92,000 (2015: loss of £160,000), as can be seen in the revenue column of the Income Statement on page 41. The Directors do not recommend the payment of a dividend, but as Japanese companies are beginning to raise their dividend pay-out ratios generally, this is an area which the Board will continue to monitor closely.

Gearing

The Company is permitted to gear through the use of long contracts for difference ("CFDs"). Total portfolio exposure at the end of the year was £206.9m, equating to gearing of 24.3% compared with 16.6% at the end of 2015. Further information can be found on page 12 of the Strategic Report. As the Portfolio Manager intends to use gearing more dynamically, the Board has given him discretion to move between being 25% geared to holding 5% net cash.

The Board continues to be of the view that using CFDs provides more flexibility for the Company's needs at a much lower cost than traditional bank debt, despite the low level of interest rates.

Over the year to 31 December 2016, the Company's net

Chairman's Statement continued

Ongoing Charges

On behalf of the Board, Fidelity continues to negotiate fees with third party service providers. These efforts have led to some reduction of fees, in particular bringing the Share Plan administration in-house. This has contributed to a reduction in the ongoing charge from 1.52% in 2015 to 1.46% for the reporting year. This is below the Company's peer group average of 1.70%. The Board will continue to monitor costs closely.

The Board

David Miller stepped down from the Board at the conclusion of last year's Annual General Meeting ("AGM"). On behalf of the Board, I would like to thank him for his invaluable contribution to the Company. At the same time, Philip Kay took over as the Company's Senior Independent Director, and I wish him every success in that role.

In common with our practice in recent years, all Directors are subject to annual re-election and their biographical details are included on page 22 to assist shareholders when considering their voting at this year's AGM.

Share Repurchases and Treasury Shares

Repurchases of ordinary shares either for cancellation or for holding in Treasury are made at the discretion of the Board and within guidelines set by it from time to time. 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 Board believes the result will be an enhancement to the net asset value of the ordinary shares for the remaining shareholders. In order to assist in managing the discount, the Board has shareholder approval to hold in Treasury any ordinary shares repurchased by the Company, rather than cancelling them. Shares held in Treasury would only be re-issued at NAV per share or at a premium to NAV per share. This would ensure that the net effect of repurchasing and then re-issuing the ordinary shares would enhance NAV per share. The Board is seeking shareholder approval to renew this authority at the forthcoming AGM.

During the reporting year, 584,000 ordinary shares were repurchased for cancellation and 180,000 ordinary shares were repurchased for holding in Treasury. Since the year end and as at the date of this report, the Company has repurchased 300,000 ordinary shares into Treasury.

Subscription Shares

The final date for exercising the rights attached to the Company's subscription shares was 29 April 2016. Between 1 January 2016 and the final subscription date, a total of 13,327,917 subscription shares were exercised by shareholders. In accordance with the terms and conditions of the subscription shares issue, as set out in the Prospectus published by the Company dated 22 July 2014, a final subscription trustee (the "Trustee") was appointed in respect

of the outstanding 9,199,422 subscription shares following the final exercise date. The Trustee subsequently exercised all of the outstanding subscription shares on the same terms and sold the resulting ordinary shares in the market. Shareholders, on whose behalf the Trustee exercised the rights and sold the shares, received the net proceeds, after deduction of the subscription price of 86.50 pence per share and the associated fees, costs and expenses. Any aggregate entitlements per holder below £5.00 were retained for the benefit of the Company.

Annual General Meeting

The AGM of the Company will be held at 4.00 pm on 6 June 2017 at Fidelity's offices at 25 Cannon Street, London EC2M 5TA (St Paul's or Mansion House tube stations). Full details of the meeting are given on pages 57 to 59.

It is the most important meeting that the Board has with shareholders each year and we encourage all investors to attend. The Board looks forward to the opportunity to speak to shareholders of the Company. The Portfolio Manager will be making a presentation on the past year and the prospects for the coming year.

Outlook

Financial markets have advanced on the so-called 'Trump rally' and a strong US dollar/weak yen has played a key role in the rebound in Japanese stocks. While sentiment improved in the wake of the US presidential election, there were already signs that a pickup in global growth was translating into a cyclical recovery in Japan. Indeed, a rise in global bond yields, firmer commodity prices and the recent rotation into cyclical stocks suggest that reflationary trends are emerging. The likelihood of an improvement in corporate earnings is increasing, given a pickup in global growth and the weakening yen, and momentum is building for upward revisions to earnings forecasts in Japan.

While the inflation outlook has improved and the yield on ten-year government bonds has risen in line with long term interest rates in the US, the Bank of Japan ("BoJ") has continued to maintain its accommodative stance. Through its policy of quantitative easing and yield curve control, the central bank has provided firm support for financial markets in Japan.

Looking ahead, there may be some degree of policy adjustment. The BoJ's capacity to purchase Japanese government bonds is nearing its limit and the increasingly tight labour market in Japan is contributing to a gradual pickup in inflation. As the end of Bank of Japan Governor Kuroda's term (April 2018) approaches, any policy adjustment may lead to increased volatility in the short term. Indeed, there is a good chance that rates in Japan could rise to some extent if interest rates continue to rise globally as growth and inflation pick up. But as the yield differential with the US in particular is likely to widen, the yen is expected to remain relatively weak, which tends to be supportive of the Japanese equity market.

Meanwhile, Japanese companies continue to make steady progress in corporate governance reforms under the auspices of Prime Minister Shinzo Abe's growth strategies (Abenomics). We see many companies increasing capital efficiency and making better use of their record cash holdings to increase investment for future growth and to improve shareholder returns. Indeed, share buybacks reached record levels in 2016 and are expected to set a fresh high in 2017.

The past 12 months proved to be a challenging period for Japanese stocks and we remain conscious of the potential for further exogenous shocks, particularly potential trade and geopolitical upheavals deriving from the new administration in the US. Nevertheless, the outlook for the Japanese market appears more positive in 2017, supported by improving macroeconomic and corporate fundamentals, favourable supply/demand conditions and higher shareholder returns.



David Robins
Chairman
21 March 2017

STRATEGY

GOVERNANCE

FINANCIAL INFORMATION FOR SHAREHOLDERS

Portfolio Manager's Review

Nicholas Price has been the Company's Portfolio Manager since 1 September 2015. He is an experienced investor with over 22 years in the Japanese equity market.

Market Review

Japanese stocks experienced a series of sharp corrections in the first half of the year, as market conditions became volatile amid concerns over a slowdown in China and a shift in US monetary policy. As risk aversion increased, overseas investors became aggressive net sellers of Japanese equities. The Bank of Japan ("BoJ") introduced negative interest rates, but earnings estimates were lowered as the yen strengthened on the view that the US Federal Reserve would make fewer rate cuts than previously anticipated. Prime Minister Shinzo Abe's decision to delay a scheduled increase in the consumption tax supported stocks. However, the UK referendum triggered a selloff in risk assets and led to increased demand for the safe-haven yen, which exacerbated the scale of the market correction in Japan.

Stock prices rebounded in the second half of the year, amid expectations of further fiscal and monetary stimulus following the victory of Prime Minister Abe's ruling coalition in the Upper House elections. Subsequent policy moves by the BoJ, including the introduction of a new monetary framework, also lifted shares. After Donald Trump won the US presidential election in November, long term US Treasury yields surged and the dollar strengthened across the board. This fuelled a rally in Japanese equities to a 12 month high.

Less volatile stocks outperformed in the first half of the year, as investors became increasingly risk averse amid the downturn in the market. In the second half of the year, however, Japanese equities experienced a sharp style reversal as large-cap value stocks (predominantly financials and laggard cyclicals) rebounded on a pickup in long term rates and expectations of global reflation.

Performance Review

As noted in the Chairman's Statement, the Company's net asset value ("NAV") per share increased from 101.56p to 122.37p during the year under review but marginally underperformed the Reference Index.

As demonstrated by the attribution analysis table below, the appreciation of the yen against sterling, particularly during the first half of the year, produced a positive exchange rate effect, which contributed a significant 23.5% increase in the Company's NAV.

Analysis of change in NAV total return during the year (%)

Impact of:	
Reference Index (in yen terms)	-0.8
Reference Index income (in yen terms)	+1.9
Stock selection (relative to the Index)	+0.4
Gearing (yen)	-0.1
Exchange rate	+23.5
Subscription Shares exercise	-3.0
Share repurchases	+0.1
Charges	-1.5
NAV total return for the year to 31 December 2016	+20.5

Over the year, key holdings in companies with strong global franchises in the chemicals, pharmaceuticals and transportation equipment sectors were the principal drivers of the Company's absolute returns. The large active position in Nissan Chemical Industries made a material contribution to returns. Smaller holdings in automaker Yamaha Motor and confectionary company Kotobuki Spirits also added significant value. Meanwhile, the underweight stance in the banking sector, which was negatively impacted by the introduction of negative interest rates in Japan, also paid off.

Conversely, holdings in non-bank financials and services companies detracted most heavily from returns. As investors became increasingly risk averse amid the downturn in the market, financial stocks underperformed in the first half of 2016. At the same time, global cyclical stocks struggled against currency and macroeconomic headwinds. In the second half of the year, domestic and defensive growth names fell out of favour as the market rotated sharply in favour of larger value stocks.

The charts and tables on pages 7 to 9 show the principal five contributors and detractors to the Company's performance relative to the Reference Index.

Principal Contributors

Nissan Chemical Industries, established as Japan's first manufacturer of chemical fertilisers, is today a leading producer of basic and advanced chemical products, as well as agrochemicals and veterinary pharmaceuticals. The company reported solid financial results at both the full-year (fiscal 2015) and interim (fiscal 2016) stage. Earnings increased on growth in agricultural chemicals, which saw strong shipments of external anti-parasite drugs for animals (dogs and more recently cats) and herbicides for wet-rice farming, as well as the improved performance of its chemicals business amid lower oil prices. The company also continued to actively buy back its shares and maintained a total payout ratio target of 70%.

Yamaha Motor develops and manufactures motorcycles and other motor-powered products globally. Motorbikes and outboard engines for recreational watercraft are the company's primary sources of profit growth. The stock suffered in the first half of the year given the currency headwinds that accompanied increased levels of macroeconomic uncertainty globally. However, this trend afforded the Portfolio Manager the opportunity to buy Yamaha Motor's shares at a more attractive price as he gained conviction in its earnings growth potential. The holding in the stock moved to overweight versus the index in March 2016, after which it started to recover as sentiment improved and the yen reversed course. Yamaha Motor's highly profitable marine business in the US and motorcycle operations in emerging countries are expected to drive double-digit growth in earnings over the next one to two years.

Kotobuki Spirits is a relatively under-researched confectionary company that blends regional cultures and traditions into high-quality Japanese sweets and cakes that are distributed across the country for use as souvenirs. The firm generated brisk growth in earnings supported by its strong product development capability and price increases, as well as the expansion of its sales network to include Tokyo central station and international airports. The expansion of the souvenir market in Japan driven by the increase in foreign visitors is expected to support the company's growth over the mid-to-long term.

Ono Pharmaceutical follows a compound-oriented research and development strategy, which enables it to identify compounds that are effective against disease and develop first-in-class treatments. Shares in Ono Pharmaceutical advanced as global sales of Opdivo, an anti-cancer treatment jointly developed with Bristol-Myers Squibb, expanded and clinical testing for the extended indications of the drug progressed. As the stock approached fair value, the holding was actively reduced, before being closed in April 2016. Thereafter, the stock relinquished its gains as uncertainty surrounding drug repricing in Japan diminished confidence in the company's earnings outlook.

Portfolio Manager's Review continued

Yonex is a world leader in badminton, tennis and golf equipment. The company announced strong full-year results, supported by the growth of its badminton equipment business in Asia. Sales in China expanded rapidly, aided by the strength of its brand and its shift from the use of sales agents to direct sales by subsidiaries. Despite some concerns about a slowdown in consumer activity post the Olympics, Yonex continued to report strong earnings, driven by sales in China and the rest of Asia. The company is well positioned to benefit from growth in the Asian badminton market and rising demand for mid-range products as average income levels increase.

Principal Detractors

AEON Financial Service is a credit card provider and its shares reacted negatively to the below-consensus results of its parent company AEON at the start of the year and the renewed strength of the yen, which raised concerns about the risk to its earnings generated overseas. The company's announcement of an unexpected capital increase in late August exacerbated the downturn in its shares. The financing will be used for future growth and the company remains well positioned to capture the growth of credit card usage in Japan and other parts of Asia. The scale of investment is likely to limit its ability to increase profits in the near term and the position was therefore reduced between September and November 2016. However, it remains a top 20 holding in the portfolio as the company's rate of profit growth is expected to reaccelerate from fiscal year 2018.

Orix, a diversified financial services company, reported solid results and increased its payout to shareholders. However, its relatively high foreign ownership ratio meant that it was susceptible to the sharp deterioration in risk sentiment and accompanying sell-off in global financial markets that occurred during the first half of the year. The negative contribution sustained in the April-June quarter, when the stock occupied a relatively large position in the portfolio, outweighed the subsequent recovery. Towards the end of the review period, the allocation to non-bank financials that tend to underperform in a rising interest rate environment was reduced and the position in Orix was sold in November 2016.

Rohm, a leading producer of custom integrated circuits and semiconductor devices, was favoured as a highly profitable beneficiary of automobile electrification. However, shares in the company fell sharply in early 2016 as signs of a slowdown in end-demand (particularly in the mobile and audio-visual areas) became more apparent. Higher fixed costs and a stronger yen also appeared to limit the scope for a recovery in earnings. The stock looked attractive at below book value, but potential upside appeared limited amid further declines in consensus forecasts. As a result, the position was sold in April 2016.

Kose, a leading cosmetics company, was added to the portfolio at the start of the year based on its strong fundamentals (market share gains in Japan and global evolution of domestic brands), long term growth prospects and improving shareholder returns. However, increased marketing costs, including sponsorships and global promotions, meant that profits fell short of expectations despite strong growth in sales. Concerns about slower inbound tourist demand also weighed on the stock. In light of an upturn in interest rates globally and the renewed weakness of the yen towards the end of the year, the position in Kose was sold in order to fund the purchase of cyclical and financial stocks with more attractive upside.

Kubota is a leading producer of agricultural machinery. The market's negative reaction to the company's recent earnings results appeared excessive and seemed to be guided primarily by volatile currency movements. The position was reduced due to the effects of intensifying competition in the North American tractor market and periods of yen strength on the company's near term earnings. However, Kubota remains well positioned to benefit from the mechanisation of farms in emerging Asia over the long term, as well as housing and infrastructure investment in the US. Its share price is at the lower end of its historical valuation range and offers attractive upside potential.

Principal five contributors to relative return	Sector	Relative average weight (%)	Contribution to relative returns (%)
Nissan Chemical Industries	Chemicals	+6.6	+2.9
Yamaha Motor	Transport Equipment	+3.6	+1.1
Kotobuki Spirits	Foods	+1.6	+0.9
Ono Pharmaceutical	Pharmaceuticals	-0.4	+0.8
Yonex	Other Products	+2.7	+0.7

Principal five detractors from relative return	Sector	Relative average weight (%)	Contribution to relative returns (%)
AEON Financial Service	Other Financing Business	+5.8	-2.1
Orix	Other Financing Business	+3.3	-1.6
Rohm	Electrical Appliances	+0.4	-1.2
Kose	Chemicals	+2.4	-1.2
Kubota	Machinery	+3.8	-0.9

Portfolio Manager's Review continued

Portfolio Review

The Company continues to invest in attractive opportunities across the market-cap spectrum and maintains large positions in the Portfolio Manager's highest conviction ideas. The top ten concentration accounted for 44.2% of total net assets at the end of the year and active share remains high, indicating a minimal overlap with the Reference Index. Unlisted securities are identified as additional sources of performance, with the intention of unearthing opportunities in fast growing areas of the Japanese economy. Annualised turnover was 102%, a marked reduction from what was a transitional year in 2015 and closer in line with the Portfolio Manager's typical range.

The Company maintains a diversified portfolio with balanced exposure to companies that are benefiting from a pickup in the global economic cycle and more favourable currency rates, those with strong brands that are successfully expanding across Asia and domestic growth names offering niche products or services.

During the year, positions in global cyclical stocks with cheap valuations and improving earnings momentum were purchased. Examples include industrial conglomerate Mitsubishi Electric and construction machinery maker Komatsu. Among smaller

companies, a holding in Shima Seiki Manufacturing was added. This leading producer of computerised knitting machines is capturing strong demand from the apparel industry for seam-free knitwear and is finding new applications in areas such as sports shoes. Amid the upturn in interest rates globally, holdings in financials were also selectively purchased.

In the retail sector, the holding in Nitori was increased. This furniture and interior goods retailer stands out among its domestic peers in terms of both profitability and growth potential. It continues to enhance its growth platform by expanding sales of private brand products, opening urban stores and stepping up its online operations. Although still in the early stages, the company's expansion in China can lead to a valuation rerating.

Conversely, defensive growth stocks trading on above-market multiples were reduced or sold. Examples include household goods maker Kao and drug company Shionogi & Co. Positions in outperformers, such as SoftBank and Nissan Chemical Industries, were actively reduced in order to bring fresh investment ideas into the portfolio.

The following tables show the key stock positions versus the Russell Nomura Mid/Small Cap Index at the beginning and end of 2016

Top Ten Positions as at 31 December 2015	Sector	Portfolio Exposure %	Index Weight %	Active Weight %
Kubota	Machinery	6.6	-	6.6
AEON Financial Service	Other Financing Business	6.3	0.1	6.2
Nissan Chemical Industries	Chemicals	6.2	0.2	6.0
Kakaku.com	Services	4.8	0.2	4.6
Orix	Other Financing Business	4.0	-	4.0
SoftBank	Information & Communications	4.0	-	4.0
Rohm	Electrical Appliances	3.5	0.3	3.2
Zojirushi	Electrical Appliances	3.2	-	3.2
Makita	Machinery	3.1	0.4	2.7
Mazda Motor	Transport Equipment	3.0	0.7	2.3

Top Ten Positions as at 31 December 2016	Sector	Portfolio Exposure %	Index Weight %	Active Weight %
Yamaha Motor	Transport Equipment	6.8	0.3	6.5
Nippon Shinyaku	Pharmaceuticals	5.4	0.1	5.3
Mitsubishi UFJ Financial	Banks	5.3	-	5.3
Nissan Chemical Industries	Chemicals	5.1	0.2	4.9
SoftBank	Information & Communications	4.7	-	4.7
Yonex	Other Products	3.6	-	3.6
Mitsubishi Electric	Electrical Appliances	3.5	-	3.5
Nitori Holdings	Retail Trade	3.4	0.5	2.9
M3	Services	3.3	0.2	3.1
Zojirushi	Electrical Appliances	3.1	-	3.1

Outlook

While the outcome of the US presidential election resulted in a significant shift in market sentiment, there were already signs that major global economies are regaining momentum, and inflation expectations are picking up. The policy stance of Japanese authorities is supportive of a gradual cyclical recovery in the domestic economy and of financial markets in general. The BoJ maintains a highly accommodative stance (although with fewer options for further easing), and fresh fiscal stimulus is expected in the months ahead.

Against a backdrop of improving domestic and global growth, earnings are starting to recover in Japan and companies are making positive revisions to their forecasts. Not only exchange rates, but also cost-cutting efforts and lower oil prices, are contributing to the improvement in corporate earnings.

Prime Minister Abe's reform agenda remains a work in progress, but there have been positive developments in the areas of corporate governance, taxation, the role of women in the labour market and inbound tourism. Moreover, stable political leadership, combined with high levels of public support, are conducive to further structural changes ahead. Working style reforms aimed at bolstering productivity, improvements to child and nursing care, and the deregulation of integrated resorts, including casinos, are near term priorities.

The risks are that global macroeconomic and geopolitical factors may negatively impact the performance of Japanese stocks, specifically protectionist trade policies being adopted by the US, a debt induced slowdown in China or renewed tensions in the South China Sea. However, the market should find some support from a weaker yen, driven by a widening interest rate differential with the US, and continued increases in shareholder returns through dividends and buybacks. Given that Japanese equities continue to trade at a discount to other developed markets, supply/demand conditions should prove more favourable than in 2016.

Nicholas Price
Portfolio Manager
21 March 2017

Strategic Report

The Directors have pleasure in presenting the Strategic Report of the Company. The Chairman's Statement and Portfolio Manager's Review form part of the Strategic Report.

Business and Status

The Company carries on business as an investment company and has been accepted as an approved investment trust by HM Revenue & Customs under Sections 1158 and 1159 of the Corporation Tax Act 2010, subject to the Company continuing to meet eligibility conditions. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval.

The Company is registered as an investment company under Section 833 of the Companies Act 2006 and its ordinary shares are listed and traded on the London Stock Exchange. It is not a close company and has no employees.

Objective

The Company's objective 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.

Strategy

In order to achieve this objective, the Company operates as an investment company which has an actively managed portfolio of investments, consisting principally of Japanese listed companies. As an investment company it is able to gear and the Board takes the view that long term returns for shareholders can be enhanced by the use of gearing in a carefully considered and monitored way.

As part of the strategy, the Board has delegated the management of the portfolio and other services. The Portfolio Manager aims to achieve a total return on the Company's total assets over the longer term in excess of the Reference Index, the Russell Nomura Mid/Small Cap Index, as expressed in sterling terms. The stock selection approach adopted by the Portfolio Manager is considered to be well suited to achieving the objective. The Board considers that investing in equities is a long term process and, given the cyclical nature of the markets, expects that the Company's returns to shareholders will vary from year to year.

The Company's objective, strategy and principal activity have remained unchanged throughout the year ended 31 December 2016.

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.

No material change will be made to the investment policy without shareholder approval.

Investment Restrictions

In order to diversify the Company's portfolio, the Board has set the following investment guidelines for the Portfolio Manager:

- 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.
- A maximum of 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. 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 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. Any such investment would normally be at a low level as the Company invests primarily in shares.
- A maximum of 15% of the Company's total assets may be invested in the securities of other investment trust companies.
- The maximum that the Company can hold in cash is limited to 25% of the total value of the Company's assets. 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. Currently the Portfolio Manager has discretion to hold 5% net cash.

Gearing

The Company's policy is to be geared in the expectation that long term investment returns will exceed the cost of gearing. This gearing is obtained 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. If the portfolio value rises, the NAV will be positively impacted. Conversely if it falls, the NAV will be adversely impacted.

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 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.

The level of gearing is reviewed by the Board and the Portfolio Manager at each of its meetings and currently the Portfolio Manager has discretion to be 25% geared. The level of gearing is reviewed by the Board and the Portfolio Manager at each of its meetings. At the year end the Company was 24.3% geared (2015: 16.6%).

Investment Management Philosophy, Style and Process

The Portfolio Manager's investment approach is focused on 'growth at a reasonable price', utilising Fidelity's extensive research capability. His investment approach and bias towards small and medium sized growth stocks fits well with the Company's investment philosophy and style.

Performance

The Company's performance for the year ended 31 December 2016, including a summary of the year's activities, and details on trends and factors that may impact the future performance of the Company are included in the Chairman's Statement and the Portfolio Manager's Review on pages 3 to 11. The Portfolio Listing, Gearing, Distribution of the Portfolio, Ten Year Record and Summary of Performance Charts are on pages 16 to 21.

Results

The Company's results for the year ended 31 December 2016 are set out in the Income Statement on page 41. The total return per ordinary share was 24.63 pence of which the revenue return was 0.07 pence. The Directors do not recommend the payment of a dividend.

Key Performance Indicators

The key performance indicators ("KPIs") used to determine the performance of the Company and which are comparable to those reported by other investment companies are set out below.

	Year ended 31 December 2016 %	Year ended 31 December 2015 %
NAV per ordinary share ¹ (undiluted)	+20.5	+24.6
Share Price ¹	+17.0	+20.5
Russell Nomura Mid/Small Cap Index, in sterling terms ¹	+22.0	+19.4
Discount to NAV (undiluted)	17.1	14.6
Ongoing Charges	1.46	1.52

¹ Total returns

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

The Board regularly considers the costs of running the Company in order to ensure that they remain reasonable and competitive. In addition to the KPIs above, the Board regularly reviews the Company's performance against its peer group of investment companies. Long term performance is also monitored and the Ten Year Record and the Summary of Performance Charts on pages 20 and 21 show this information.

Principal Risks and Uncertainties

As required by provision C.2.1 of the 2014 UK Corporate Governance Code, the Board has a robust ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the Company. The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key risks that the Company faces. The risks identified are placed on the Company's risk matrix and graded appropriately. This process, together with the policies and procedures for the mitigation of risks, is updated and reviewed regularly in the form of comprehensive reports considered by the Audit Committee. The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

The Alternative Investment Fund Manager, FIL Investment Services (UK) Limited, also has responsibility for risk management for the Company. It works with the Board to identify and manage the principal risks and to ensure that the Board can continue to meet its UK corporate governance obligations.

The Board considers the following as the principal risks and uncertainties faced by the Company:

Strategic Report continued

Principal Risks	Description and Risk Mitigation
Market risk	<p>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 is core to the Company's continued success.</p> <p>Risks to which the Company is exposed and which form part of the market risk category are included in Note 16 to the Financial Statements on pages 52 to 55 together with summaries of the policies for managing these risks.</p>
Performance risk	<p>The achievement of the Company's performance objective relative to the market requires the application of risk such as strategy, asset allocation and stock selection of the portfolio and the risk associated with Japan and industry sectors within the parameters of the investment objective and strategy. The Portfolio Manager is responsible for actively monitoring the portfolio selected in accordance with the asset allocation parameters and seeks to ensure that individual stocks meet an acceptable risk/return profile. The emphasis is on long term results as the Company risks volatility of performance in the shorter term.</p> <p>The Board cannot control the discount at which the Company's ordinary share price trades in relation to net asset value. However, it can have a modest influence in the market by maintaining the profile of the Company through a marketing campaign and, under certain circumstances, through repurchasing shares. The Company's share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board regularly.</p> <p>The Company has the option to make use of loan facilities or to use CFDs to invest in equities. The principal risk is that the Portfolio Manager may fail to use gearing effectively. In a rising market the Company will benefit from gearing, whilst 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 is inappropriate in relation to market conditions. The Company currently has no bank loans and gears through the use of long CFDs which provide greater flexibility and are significantly cheaper than bank loans. The Board regularly considers the level of gearing and gearing risk and sets limits within which the Portfolio Manager must operate.</p>
Discount control risk	<p>The Board cannot control the discount at which the Company's ordinary share price trades in relation to net asset value. However, it can have a modest influence in the market by maintaining the profile of the Company through a marketing campaign and, under certain circumstances, through repurchasing shares. The Company's share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board regularly.</p>
Gearing risk	<p>The Company has the option to make use of loan facilities or to use CFDs to invest in equities. The principal risk is that the Portfolio Manager may fail to use gearing effectively. In a rising market the Company will benefit from gearing, whilst 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 is inappropriate in relation to market conditions. The Company currently has no bank loans and gears through the use of long CFDs which provide greater flexibility and are significantly cheaper than bank loans. The Board regularly considers the level of gearing and gearing risk and sets limits within which the Portfolio Manager must operate.</p>
Currency risk	<p>Most of the Company's assets and income are denominated in yen. However, the functional currency of the Company in which it reports its results is UK sterling. Consequently, it is subject to currency risk on exchange rate movements between yen and UK sterling. It is the Company's policy not to hedge against currency risks. Further details can be found in Note 16 to the Financial Statements on pages 52 to 55.</p>
Other risks facing the Company include:	
Cybercrime Risk	<p>The risk posed by cybercrime is rated as significant and the Board receives regular updates from the Manager on cybercrime threats. The Manager's technology team continues with initiatives to strengthen the control environment in relation to emerging threats.</p>
Tax and Regulatory Risks	<p>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.</p> <p>The Company may be impacted by changes in legislation, taxation or regulation. These are monitored at each Board meeting and managed through active lobbying by the Manager.</p>
Operational Risks	<p>The Company relies on a number of third party service providers, principally the Manager, Registrar, Custodian and Depository. It is dependent on the effective operation of the Manager's control systems and those of its service providers with regard to the security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements. They are all 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.</p> <p>Although 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.</p>

Other Risks

A continuation vote takes place every three years. There is a risk that shareholders do not vote in favour of continuation of the Company during periods when performance is poor. The next continuation vote will take place at the AGM in 2019.

Viability Statement

In accordance with provision C.2.2 of the 2014 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the twelve month period required by the "Going Concern" basis. The Company is an investment trust with the objective of achieving long term capital growth. The Board considers that three years is an appropriate investment horizon to assess the viability of the Company, although the life of the Company is not intended to be limited to this or any other period. In accordance with the Company's Articles of Association, a continuation vote is held every three years. The next one will take place at the AGM in 2019.

The Board has taken account of the Company's current position, the principal risks that it faces and their potential impact on its future development and prospects and the Company's investment objective and strategy. The Company's working capital is strong because the portfolio mainly comprises readily realisable securities which can be sold to meet funding requirements if necessary and the ongoing processes for monitoring operating costs and income are modest in comparison to the Company's total assets. Furthermore, Japanese equities have a long term future and the Manager has a strong track record for delivering positive returns over the long term in this sector. The Directors, therefore, confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of assessment.

Board Diversity

The Board carries out any candidate search against a set of objective criteria on the basis of merit, with due regard for the benefits of diversity on the Board, including gender. As at 31 December 2016, there were four male Directors and one female Director on the Board.

Employee, Social, Community, Human Rights and Environmental Issues

The Company has no employees and all of its Directors are non-executive and its day-to-day activities are carried out by third parties. There are therefore no disclosures to make in respect of employees.

Fidelity encourages Environmental, Social and Governance ("ESG") considerations in its investment decision making process. It has been a signatory to the United Nations Principles for Responsible Investment (UNPRI) since 2012 and submits an annual return detailing how it incorporates ESG into its investment analysis.

The Company has not adopted a policy on human rights as it has no employees and its operational processes are delegated. As an investment vehicle, the Company does not provide goods and services in the normal course of business and has no customers. Accordingly, the Board consider that the Company is not within the scope of the Modern Slavery Act 2015.

Greenhouse Gas Emissions

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

Socially Responsible Investment

The Manager's primary objective is to produce superior financial returns for the Company's shareholders. 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 the Manager's view, these have a material impact on either investment risk or return.

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 regularly by the Manager's corporate governance team.

Future Developments

Some trends likely to affect the Company in the future are common to many investment companies together with the impact of regulatory change. The factors likely to affect its future development, performance and position are set out in the Chairman's Statement and the Portfolio Manager's Review on pages 3 to 11.

By order of the Board

FIL Investments International

Secretary

21 March 2017



Portfolio Listing

as at 31 December 2016

The Portfolio Exposures below show the amounts exposed to market price movements, including movements in the prices of the shares underlying the long CFDs. The Fair Value is the actual value of the portfolio on the Balance Sheet. Where a long CFD is held, the fair value reflects the profit or loss on the contract since it was opened and is based on how much the price of the underlying share has moved.

Long Exposures – shares unless otherwise stated	Portfolio Exposure		Fair Value
	£'000	% ¹	£'000
Yamaha Motor (shares and long CFD) Manufacturer of motorcycles, marine and other motorized products	11,366	6.8	7,509
Nippon Shinyaku (shares and long CFD) Manufacturer of pharmaceutical and health food products	8,991	5.4	6,645
Mitsubishi UFJ Financial (shares and long CFD) Provider of financial and investment services including banking and asset management	8,819	5.3	2,991
Nissan Chemical Industries Producer of chemicals, agrochemicals and pharmaceutical products	8,529	5.1	8,529
SoftBank (shares and long CFD) Provider of telecommunication services including ADSL and fibre optic internet connection	7,814	4.7	2,045
Yonex Producer and retailer of sporting goods	6,004	3.6	6,004
Mitsubishi Electric (shares and long CFD) Manufacturer of electronic equipment, including industrial, data communications and household products	5,752	3.5	921
Nitori Holdings Operator of a furniture retail chain	5,602	3.4	5,602
M3 (long CFD) Provider of medical related Internet services	5,477	3.3	317
Zojirushi Manufacturer of kitchen appliances, heat-insulating containers and environmental equipment	5,233	3.1	5,233
Ten largest exposures (2015: 44.7%)	73,587	44.2	45,796
Other long exposures			
Ryohin Keikaku	4,895	2.9	4,895
Kakaku.Com	4,616	2.8	4,616
Suzuki Motor	4,468	2.7	4,468
AEON Financial Service	4,408	2.6	4,408
Daikin Industries (shares and long CFD)	3,865	2.3	1,393
Ferrotec	3,695	2.2	3,695
Fuji Heavy Industries (shares and long CFD)	3,629	2.2	1,002
Sysmex (shares and long CFD)	3,618	2.2	646
Keyence	3,559	2.1	3,559
Komatsu	3,495	2.1	3,495
Rinnai	3,393	2.0	3,393
Makita (shares and long CFD)	3,327	2.0	1,356
Aska Pharmaceutical	3,320	2.0	3,320
Okamoto Industries	3,249	2.0	3,249
SUMCO Corporation	3,178	1.9	3,178
Kotobuki Spirits	3,105	1.9	3,105
Eiken Chemical	3,092	1.9	3,092
ASICS Corporation	3,020	1.8	3,020
Shinoken Group	2,961	1.8	2,961
Yamaha	2,850	1.7	2,850
Sakata INX Corporation	2,804	1.7	2,804

Long Exposures – shares unless otherwise stated	Portfolio Exposure		Fair Value
	£'000	% ¹	£'000
H.I.S.	2,759	1.7	2,759
NITTA Corporation	2,726	1.6	2,726
Descente	2,485	1.5	2,485
Nojima	2,405	1.4	2,405
Morinaga	2,390	1.4	2,390
TV Asahi	2,345	1.4	2,345
Freund	2,224	1.3	2,224
Tasaki Shinju	2,010	1.2	2,010
Shima Seiki Manufacturing	1,953	1.2	1,953
Dai-ichi Life Holdings	1,786	1.1	1,786
Kubota (long CFD)	1,742	1.0	(30)
Ai Holdings	1,607	1.0	1,607
Nichias	1,602	1.0	1,602
Juki	1,563	0.9	1,563
Shimano	1,486	0.9	1,486
Optex Group	1,480	0.9	1,480
Tokyo Base	1,466	0.9	1,466
Nihon Flush	1,432	0.9	1,432
Apamanshop Holdings	1,371	0.8	1,371
Piolax	1,325	0.8	1,325
Nidec Corporation	1,104	0.7	1,104
Nippon Commercial Development	1,098	0.7	1,098
Asahi Intecc	1,010	0.6	1,010
Raksul (unlisted)	958	0.6	958
Sumitomo Metal Mining	909	0.5	909
Pressance	890	0.5	890
Fujimi	889	0.5	889
Universal Entertainment	880	0.5	880
Tosho	852	0.5	852
Fuji Corporation	844	0.5	844
Nissha Printing	778	0.5	778
Eizo Corporation	768	0.5	768
Sagami Rubber Industries	754	0.5	754
Nintendo (long CFD)	697	0.4	(121)
Enigma	664	0.4	664
NEXT Co.	656	0.4	656
Mitsubishi Pencil	613	0.4	613
Yamato Kogyo	608	0.4	608
Takeuchi Mfg	575	0.3	575
Nihon M&A Center (long CFD)	518	0.3	13
Gurunavi	477	0.3	477
Furukawa Electric	431	0.3	431
Yuasa Trading	390	0.2	390
Yomiuri Land	368	0.2	368
Info Mart Corporation	366	0.2	366

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Portfolio Listing continued

Long Exposures – shares unless otherwise stated	Portfolio Exposure		Fair Value
	£'000	% ¹	£'000
Tadano	331	0.2	331
Japan Material	328	0.2	328
Yume No Machi Souzou linkai	325	0.2	325
Fukui Computer Holdings	316	0.2	316
Kuriyama Holdings	217	0.1	217
PAL Co	192	0.1	192
Yamaya	191	0.1	191
Sawada Holdings	180	0.1	180
Taikisha	158	0.1	158
CAC	137	0.1	137
Bengo4.com	111	0.1	111
Hokkaido Chuo Bus	26	-	26
Total Portfolio Exposure²	206,900	124.3	
Total Portfolio Fair Value³			165,972
Net current assets excluding derivative instruments ⁴			433
Shareholders' Funds (per the Balance Sheet on page 43)			166,405

¹ Portfolio Exposure is expressed as a percentage of Shareholders' Funds

² Total Portfolio Exposure comprises market exposure to shares of £161,777,000 (per Note 9: Investments on page 48) plus market exposure to long CFDs of £45,123,000 (per Note 10: Derivative instruments on page 49).

³ Total Portfolio Fair Value comprises investments in shares of £161,777,000 plus long CFD derivative instrument assets of £4,619,000 less long CFD derivative instrument liabilities of £424,000 (per the Balance Sheet on page 43).

⁴ Net current assets excluding derivative instruments comprise debtors of £534,000 plus cash at bank of £620,000, less other creditors of £721,000 (per the Balance Sheet on page 43).

Gearing

as at 31 December 2016

	Portfolio Exposure	
	31 December 2016 £'000	31 December 2015 £'000
Investments – shares	161,777	115,532
Derivative instruments – long CFDs	45,123	19,720
Total Portfolio Exposure	206,900	135,252
Shareholders' Funds	166,405	116,000
Gearing – Total Portfolio Exposure in excess of Shareholders' Funds	24.3%	16.6%

Distribution of the Portfolio

as at 31 December 2016

Sector	Portfolio Exposure	
	2016 % ¹	2015 % ¹
Electrical Appliances	15.2	12.6
Transport Equipment	12.6	4.2
Machinery	11.9	17.5
Services	10.5	15.9
Other Products	10.4	5.1
Retail Trade	9.3	8.6
Pharmaceuticals	9.2	10.1
Information & Communications	7.0	4.5
Chemicals	6.8	10.3
Banks	5.3	-
Metal Products	4.7	3.5
Rubber Products	4.1	3.6
Real Estate	3.9	3.5
Foods	3.4	1.1
Other Financing Business	2.6	10.3
Glass & Ceramics	1.5	0.9
Textiles & Apparel	1.5	1.0
Wholesale Trade	1.4	1.9
Insurance	1.1	-
Non-ferrous Metals	0.7	-
Precision Instruments	0.6	1.2
Iron & Steel	0.4	-
Construction	0.1	0.3
Securities & Commodity Futures	0.1	0.2
Marine Transportation	-	0.3
Total Portfolio Exposure	124.3	116.6

¹ Portfolio Exposure is expressed as a percentage of Shareholders' Funds

2016

2015

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Ten Year Record

Historical Record as at 31 December	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total portfolio exposure (£m) ¹	207	135	114	105	70	77	79	68	75	79	92
Shareholders' funds (£m)	166²	116	93	90 ³	58	63	65	53	51	65	78
NAV per ordinary share (p) - undiluted	122.37	101.56	81.48	79.02	59.94	64.17	68.44	55.56	53.58	66.67	79.59
NAV per ordinary share (p) - diluted	122.37	99.08	n/a	n/a	59.91	62.79	66.21	55.47	n/a	n/a	n/a
Ordinary share price (p)	101.50	86.75	72.00	72.00	51.63	52.50	57.25	48.50	41.75	58.50	73.50
Subscription share price (p)	n/a	3.13	4.25	n/a	0.80	5.70	11.75	8.28	n/a	n/a	n/a
Discount/(premium) to NAV % - undiluted	17.1	14.6	11.6	8.9	13.9	18.2	16.4	12.7	22.1	12.3	7.7
Discount to NAV % - diluted	17.1	12.4	n/a	n/a	12.8	16.4	13.5	12.6	n/a	n/a	n/a
Revenue return/(loss) per ordinary share (p)	0.07	(0.14)	(0.45)	(0.30)	(0.06)	0.02	(0.30)	(0.73)	(0.12)	(0.49)	(0.61)
Ongoing charges (%) (cost of running the Company)	1.46	1.52	1.62	1.80	2.00	1.98	2.08	2.17	1.98	1.65	1.46
Gearing (%) ⁴	24.3	16.6	22.2	16.8	21.0	23.2	20.9	3.8	28.5	20.7	16.9
NAV per ordinary share total return performance - undiluted (%)	+20.5	+24.6	+3.1	+31.8	-6.6	-6.2	+23.2	+3.7	-19.6	-16.2	-35.6
NAV per ordinary share total return performance - diluted (%)	n/a	+21.6	n/a	n/a	-5.7	-5.2	+19.4	n/a	n/a	n/a	n/a
Ordinary share price total return performance (%)	+17.0	+20.5	0.0	+39.5	-1.7	-8.3	+18.0	+16.2	-28.6	-20.4	-43.6
Russell Nomura Mid/Small Cap Index total return (in sterling terms) (%)	+22.0	+19.4	+5.1	+21.7	-3.1	-9.3	+18.6	-6.3	+4.4	-8.5	-18.5

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 The issue of ordinary shares on the exercise of subscription share rights, contributed £19.5 million to the increase in shareholders' funds

3 The issue of ordinary shares on the exercise of subscription share rights, contributed £9.4 million to the increase in shareholders' funds

4 Total portfolio exposure in excess of shareholders' funds. The amounts prior to 2009 represent total assets, less bank loans plus cash at bank, in excess of shareholders' funds

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

Summary of Performance Charts

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Board of Directors

David Robins
Chairman (since 10 May 2012)
Appointed 1 February 2011
Member of the:
Audit Committee
Management Engagement Committee (Chairman)
Nomination Committee (Chairman)

David Robins is Senior Independent Director of SVG Capital plc and a Director of NHBS Limited and SerraluX Inc. He is also a member of the advisory board of Millenium Associates AG. Previously, he was Chairman and Chief Executive of ING Barings following 18 years with UBS, most recently as Executive Vice President 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 & Drew. He began his career with the Commonwealth Bank in Sydney.

Philip Kay
Senior Independent Director (since 24 May 2016)
Appointed 29 October 2004
Member of the:
Audit Committee
Management Engagement Committee
Nomination Committee

Philip Kay 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 three Asian hedge funds, the Akamatsu Fund, the Akamatsu Bonsai Fund, and the Counterpoint Asian Macro Fund, and of an unquoted UK company, Bio-bean Limited. He is a fellow of Wolfson College, Oxford. Previously he was a Director of Schroder Securities Limited and of Smith New Court PLC.

Sir Laurence Magnus
Chairman of the Audit Committee
(since 12 May 2011)
Appointed 1 October 2010
Member of the:
Audit Committee (Chairman)
Management Engagement Committee
Nomination Committee

Sir Laurence Magnus is a Senior Advisor to Evercore Partners, the US listed corporate finance advisory business and Chairman of Historic England. He is Chairman of J.P. Morgan Income & Capital Trust PLC, Chairman of Pantheon International plc, a Director of Aggregated Micropower Holdings plc 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 in 2011.

Mami Mizutori
Appointed 17 November 2014
Member of the:
Audit Committee
Management Engagement Committee
Nomination Committee

Mami Mizutori worked for the Japanese Ministry of Foreign Affairs where her posts included Director of the Japan Information and Culture Center at the Embassy of Japan in London and Director for Financial Affairs for the Foreign Ministry of Japan in Tokyo. She is an Executive Director of the Sainsbury Institute for the Study of Japanese Arts and Cultures and acts as a special advisor in Japanese studies to the University of East Anglia. She is also a director of the Association for Aid and Relief, Japan and a trustee of the Daiwa Anglo-Japanese Foundation.

Dominic Ziegler
Appointed 17 November 2014
Member of the:
Audit Committee
Management Engagement Committee
Nomination

Dominic Ziegler currently holds the post of Asia Columnist and Senior Asia Writer at The Economist in Hong Kong. He has over 25 years' experience in top-flight journalism and commentary, with a special expertise in East Asian affairs, particularly Japan, having previously served as The Economist's Tokyo Bureau Chief.

Directors' Report

The Directors have pleasure in presenting their report and the audited Financial Statements of the Company for the year ended 31 December 2016.

The Company was incorporated in England and Wales as a public limited company on 10 February 1994 under the registered number 2885584 and was launched on 15 March 1994.

Management Company

FIL Investment Services (UK) Limited ("FISL") was appointed as the Company's Alternative Investment Fund Manager (the "Manager") with effect from 17 July 2014. At the same time, FISL, as the new Manager, delegated the portfolio management of assets and the role of the company secretary to FIL Investments International ("FIL").

The Alternative Investment Fund Management and Secretarial Services Agreement (the "Management Agreement") will continue unless and until terminated by either party giving to the other not less than six months' notice in writing. However, it may be terminated without compensation if the Company is liquidated, pursuant to the procedures laid down in the Articles of Association of the Company. 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 sixty days' notice if the Manager ceases to be a subsidiary of FIL Limited.

Fee Arrangements

The Manager provides investment management services under the Management Agreement for an annual fee of 0.85% of the value of the Company's assets under management, including the exposure to the investments underlying the long CFDs, but excluding investment in any fund which is managed by the Manager. The fees are calculated and paid quarterly.

In addition, the Manager provides secretarial and administration services payable quarterly. Fees for the year to 31 December 2016 were £46,000 (2015: £45,000).

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 and included in gains on sales of investments in Note 9 on page 48. In the year to 31 December 2016, £10,000 was received (2015: £8,000). 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 Board

All the Directors served on the Board throughout the year ended 31 December 2016 with the exception of David Miller who retired from the Board on 24 May 2016. A brief description of all serving

Directors as at the date of this report is shown on page 22 and indicates their qualifications for Board membership.

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 under its own policy as permitted by the Companies Act 2006.

Going Concern

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its expenditure and cash flow projections and have concluded that the Company has adequate resources to continue to adopt the going concern basis for at least 12 months from the date of this Annual Report. The prospects of the Company over a period longer than 12 months can be found in the Viability Statement on page 15.

Continuation Vote

Continuation votes are held every three years and the next continuation vote will take place at the AGM in 2019.

Auditor's Appointment

As mentioned in last year's Annual Report, Ernst & Young LLP was appointed as the Company's Auditor at the AGM on 24 May 2016.

Disclosure of Information to the Auditor

As required by Section 418 of the Companies Act 2006, each Director in office as at the date of this report confirms that:

- so far as the Director is 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 himself/herself aware of any relevant audit information, and to establish that the Company's Auditor is aware of that information.

Corporate Governance

Full details are given in the Corporate Governance Statement, which forms part of this on pages 26 to 29.

Registrar, Custodian and Depositary Arrangements

The Company employs Capita Asset Services to manage the Company's share register, JPMorgan Chase Bank as its Custodian, which is primarily responsible for safeguarding the Company's assets and J.P. Morgan Europe Limited as its Depositary, which is primarily responsible for oversight of the custody of investments and the protection of investors' interests.

Directors' Report continued

Share Capital

The Company's share capital comprises ordinary shares of 25 pence each which are fully listed on the London Stock Exchange. As at 31 December 2016, the issued share capital of the Company was 136,161,695 ordinary shares (2015: 114,218,356) of which 180,000 shares (2015: nil) are held in Treasury. Therefore, the total number of ordinary shares with voting rights was 135,981,695. There were no subscription shares of 0.001 pence each remaining in issue as at 31 December 2016 (2015: 22,527,339).

Premium/Discount Management: Enhancing Shareholder Value

The Board recognises the importance of the relationship between the Company's share price and the net asset value per share and monitors this closely. It seeks authority from shareholders each year to issue shares at a premium or to repurchase shares at a discount to the NAV either for cancellation or holding in Treasury. The Board will exercise these authorities if deemed to be in the best interests of shareholders at the time.

Share Issues

During the year ended 31 December 2016, a total of 22,527,339 (2015: 215,981) ordinary shares were issued following the exercise of rights attached to the subscription shares. No shares have been issued since the year end and as at the date of this report.

The authorities to issue shares and dis-apply pre-emption rights expire at the conclusion of this year's AGM, and therefore resolutions renewing these authorities will be put to shareholders for approval at the AGM on 6 June 2017.

Share Repurchases

During the year ended 31 December 2016, the Company repurchased 584,000 ordinary shares for cancellation and 180,000 ordinary shares for holding in Treasury (2015: nil). Since the year end and as at the date of this report, 300,000 ordinary shares have been repurchased for holding in Treasury.

The authority to repurchase ordinary shares expires at the forthcoming AGM and a special resolution to renew the authority to purchase ordinary shares for cancellation or to buy into Treasury, will therefore be put to shareholders at the AGM on 6 June 2017.

Substantial Share Interests

As at 31 December 2016 and 28 February 2017, notification had been received of the following interests of 3% or more in the voting rights of the Company.

	31 December 2016	28 February 2017
Shareholders	%	%
Wells Capital Management	22.7	19.2
1607 Capital Partners	20.0	20.0
Lazard Asset Management	19.1	23.1
Fidelity Platform Investors	7.6	7.6
Wesleyan Assurance	4.1	4.1
South Yorkshire Pension Authority	3.6	3.6

An analysis of ordinary shareholders as at 31 December 2016 is detailed in the table below.

Analysis of ordinary shareholders	As at 31 December 2016 % of voting share capital
Mutual Funds	44.3
Pension Funds	23.7
Retail Investors ¹	23.0
Insurance Funds	7.4
Trading	0.7
Charities	0.6
Hedge Funds	0.3
Total	100.0

¹ Includes Fidelity Platform Investors

Additional Information required in the Directors' report

Information on proposed dividends, financial instruments and greenhouse emissions is set out in the Strategic Report on pages 12 to 15.

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.

If you have sold, transferred or otherwise disposed of all your shares in the Company, you should pass this document, together with any accompanying documents (but not the personalised Form of Proxy or Form of Direction) as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

At the AGM on 6 June 2017, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 57 and 58, including the items of special business summarised below.

Authority to allot shares

Resolution 11 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 £1,702,021. If passed, this resolution will enable the Directors to allot a maximum of 6,808,084 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company as at 21 March 2017 and to impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter. The Directors would not intend to use this power unless they considered that it was in the interests of shareholders to do so. Any shares issued would be at net asset value per share, or at a premium to net asset value per share.

Authority to disapply pre-emption rights

Resolution 12 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 or sale of Treasury shares for cash by way of (a) rights issues, normally on a proportionate basis but where necessary taking into account practical considerations, such as fractions and foreign securities laws; and (b) other issues up to an aggregate nominal value of £1,702,021 (including Treasury shares) (approximately 5% of the issued share capital of the Company as at 21 March 2017).

Authority to repurchase the Company's shares

Resolution 13 is a special resolution which renews the Company's authority to purchase up to 14.99% (20,338,686) of the number of ordinary shares in issue (excluding Treasury shares) on 21 March 2017 either for immediate cancellation or for retention as Treasury shares at the determination of the Directors. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or by cancelling the shares. Purchases of ordinary shares will be made at the discretion of the Directors and within guidelines set from time to time by them 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.

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.



By Order of the Board
FIL Investments International
Secretary
21 March 2017

Corporate Governance Statement

The Corporate Governance Statement forms part of the Directors' Report. The Company is committed to maintaining 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 company.

Corporate Governance Codes

The Board follows the principles of the UK Corporate Governance Code ("UK Code") issued by the Financial Reporting Council (the "FRC") in September 2014 and the AIC's Code of Corporate Governance (the "AIC Code") issued by the Association of Investment Companies ("AIC") in February 2015. The FRC has confirmed that investment companies which report against the AIC Code and which follow the AIC Guide on Corporate Governance will meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

The AIC Code and the AIC Guide can be found on the AIC's website at www.theaic.co.uk and the UK Code can be found on the FRC's website at www.frc.org.uk.

Statement Of Compliance

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code for the year under review and up to the date of this report, except in relation to the UK Code 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, as it is an externally managed investment company and has no executive directors, employees or internal operations.

THE BOARD

Board Composition

The Board, chaired by David Robins, consists of five non-executive Directors. The Directors believe that, between them, they have good knowledge and wide experience of business in Japan, the Asia region and of investment trusts, and that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company and length of service to discharge its duties and provide effective strategic leadership and proper governance of the Company.

Philip Kay is the Senior Independent Director and fulfils the role as a sounding board for the Chairman, an intermediary for the other non-executive Directors as necessary and to act as a channel of communication for shareholders in the event that contact through the Chairman is inappropriate.

Biographical details of all the Directors are on page 22.

Board Responsibilities And Board Meetings

The Board has overall responsibility for the Company's affairs and for promoting the long term success of the Company. All matters which are not delegated to the Company's Manager under the Management Agreement are reserved for the Board's decision. Matters considered at Board meetings include decisions on strategy, management, structure, capital, share issues, share repurchases, gearing, financial reporting, risk management, investment performance, share price discount, corporate governance, Board appointments, appointment of the Manager and the Company Secretary. The Board also considers shareholder issues including communication and investor relations.

All the Directors are independent of the Manager and considered to be free from any relationship which could materially interfere with the exercise of their independent judgement. The Board follows a procedure of notification of other interests that may arise as part of considering any potential conflicts.

All Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively.

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on page 27 gives the attendance record for the meetings held during the year. The Portfolio Manager and key representatives of the Manager are in attendance at these meetings. Between these meetings there is regular contact with the Manager and other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred to them by the Board and the Chairman is in contact with the other Directors regularly without representatives of the Manager being present.

Each Director is entitled to take independent professional advice, at the Company's expense, in the furtherance of their duties.

Company Secretary

The Board has access to the advice and services of the Company Secretary. The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Director 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 to the Company. Directors also receive regular briefings from, among others, the AIC, the Company's Auditor and the Company Secretary, regarding any proposed developments or changes in law or regulations that could affect the Company and/or the Directors.

	Regular Board Meetings	Nomination Committee Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
David Robins	4/4	1/1	3/3	1/1
Philip Kay	4/4	1/1	3/3	1/1
Sir Laurence Magnus	4/4	1/1	3/3	1/1
David Miller ¹	2/2	1/1	1/1	1/1
Mami Mizutori	4/4	1/1	3/3	1/1
Dominic Ziegler	4/4	1/1	3/3	1/1

¹ Retired on 24 May 2016

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.

In addition to the formal Board and Committee meetings, the Board undertake an annual due diligence trip to Japan. During this trip, the Board meet with the management of existing and potential investee companies alongside the Portfolio Manager. Further information on the most recent trip can be found in the Chairman's Statement on page 3.

Election and Re-Election of Directors

All newly appointed Directors stand for election by the shareholders at the AGM following their appointment by the Board. All other Directors are subject to annual re-election by the shareholders. Directors standing for re-election at this year's AGM are listed, together with their biographical details, on page 22. The terms and letters of appointment of Directors are available for inspection at the registered office of the Company and will be available at the AGM.

The Board has a policy of reviewing the tenure of each Director annually. A Director may serve for more than nine years, provided that such Director is considered by the Board to continue to be independent and to provide experience that remains relevant.

Board Evaluation

An annual evaluation of the Board, its Committees and the individual Directors is undertaken. It takes the form of written questionnaires and discussions. The performance of the Chairman is evaluated by the other Directors. The Company Secretary and Portfolio Manager also participate in this process to provide all-round feedback to the Board. The results of these evaluations are discussed by the Board and 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. The Board considers tenure of individual Directors during the evaluation process.

Directors' Remuneration and Share Interests

Details of Directors' fees and share interests are disclosed in the Directors' Remuneration Report on pages 31 and 32.

BOARD COMMITTEES

The Board has three Committees: the Audit Committee, the Management Engagement Committee, and the Nomination Committee, through which it discharges certain of its corporate governance responsibilities. All Directors form the membership of each Committee. The terms of reference of each Committee can be found on the Company's pages of the Manager's website at www.fidelityinvestmenttrusts.com.

Audit Committee

The Audit Committee is chaired by Sir Laurence Magnus and consists of all of the Directors. Full details are disclosed in the Report of the Audit Committee on pages 34 and 35.

Management Engagement Committee

The Management Engagement Committee is chaired by David Robins and consists of all of the Directors. It meets at least once a year and reports to the Board making recommendations where appropriate. It is charged with reviewing and monitoring the performance of the Manager and for ensuring that the terms of the Company's Management Agreement remain competitive and reasonable for shareholders.

The criteria taken into consideration in reviewing the performance of the Manager include the quality of the team; commitment of the Manager to the Company and investment trust business; administration, accounting and the secretaryship of the Company; investment management skills; experience and track record; shareholder relations and discount management; the Management Agreement, including fees, notice periods and duties; and marketing to secure potential long term investors.

Corporate Governance Statement continued

The Committee has reviewed the performance of the Manager and concluded that it was in the interests of shareholders that the Management Agreement should continue. Details of the Management Agreement and the current fee are on page 23.

Nomination Committee

The Nomination Committee is chaired by David Robins and consists of all of the Directors. It meets at least once a year and makes recommendations to the Board where appropriate. It is charged with nominating new Directors for consideration by the Board, and in turn for approval by shareholders. 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 and this process has led to a diverse Board. External consultants may be used to identify potential candidates.

The Committee also considers the re-election of Directors ahead of each AGM. The Committee has considered the performance and contribution to the Company of each Director and concluded that each Director has been effective and continued to demonstrate commitment to their roles. Accordingly, the Committee has recommended their continued service and this has been endorsed by the Board, which recommends their reappointment by shareholders at the forthcoming AGM.

ACCOUNTABILITY AND AUDIT

Financial Reporting

Set out on page 33 is a statement by the Directors of their responsibilities in respect of the preparation of the Annual Report and Financial Statements. The Auditor has set out its reporting responsibilities within the Independent Auditor's Report on pages 36 to 40.

The Board has a responsibility to present a fair, balanced and understandable assessment of annual, half-yearly, other price sensitive public reports and reports to regulators, as well as to provide information required to be presented by statutory requirements. All such reports are reviewed and approved by the Board prior to their issue to ensure that this responsibility is fulfilled.

Risk Management and Internal Controls

The Board is responsible for the Company's systems of risk management and of internal controls and for reviewing their effectiveness. The review takes place at least once a year. Such systems 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 determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives. It is responsible for the design, implementation and maintenance of controls and procedures to safeguard the assets of the

Company although these tasks have been delegated on a day-to-day basis to the Manager. The system extends to operational and compliance controls and risk management. Clear lines of accountability have been established between the Board and the Manager. The Manager provides regular reports on controls and compliance issues to the Audit Committee and the Board. In carrying out its review, the Audit Committee has regard to the activities of the Manager, the Manager's compliance and risk functions and the work carried out by the independent Auditor and also includes consideration of reports concerning internal controls issued by other service providers.

The Board, assisted by the Manager, has undertaken a rigorous risk and controls assessment. It confirms that there is an effective ongoing process in place to identify, evaluate and manage the Company's principal business and operational risks, and that it has been in place throughout the year ended 31 December 2016 and up to the date of this Annual Report. This process is in accordance with the FRC's "Risk Management, Internal Control and Related Financial Business Reporting" guidance.

The Board has reviewed the need for an internal audit function and has determined that the systems and procedures employed by the Manager, which are subject to inspection by the Manager's internal and external audit processes, provide sufficient assurance that a sound system of internal controls is maintained to safeguard shareholders' investments and the Company's assets. An internal audit function, specific to the Company, is therefore considered unnecessary. The Audit Committee met the Manager's internal audit representative three times in the reporting year and receives a summary of the Manager's externally audited internal controls report on an annual basis.

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"). Fidelity has advised the Board 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 within the organisation 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 actions as appropriate. The Board has adopted a zero tolerance policy in this regard.

Responsibility as 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. Fidelity is a signatory to the UK 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

Communication with shareholders is given a high priority by the Board and it liaises with the Manager and the Company's broker who are in regular contact with the Company's major institutional investors to canvass shareholder opinion and to communicate its views to shareholders. All Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and, where appropriate, other Directors are available to meet with shareholders to discuss strategy and governance. In addition, the Portfolio Manager also met with major shareholders and investors in the UK and Tokyo. The Board regularly monitors the shareholder profile of the Company and receives regular reports from the Manager on meetings attended with shareholders and any concerns raised in such meetings. The Board aims to provide the maximum opportunity for dialogue between the Company and shareholders. If any shareholder wishes to contact a member of the Board directly they should either email the Company Secretary at investmenttrusts@fil.com or write to the address provided on page 62. The Company Secretary will attend to any enquiries promptly and ensure that they are directed as appropriate to the Chairman, the Senior Independent Director or the Board as a whole.

The Board encourages all shareholders to attend the AGM at which there will be a presentation by Nicholas Price, the Portfolio Manager, of the past year's results and the prospects for the forthcoming year. Shareholders have the opportunity to meet and address questions to the Chairman and other members of the Board, the Portfolio Manager and representatives of the Manager. The Board is looking forward to having the opportunity to speak to shareholders.

The Notice of the AGM on pages 57 to 59 sets out the business of the AGM and the special business resolutions are explained more fully on page 25 of the Directors' Report. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Notice of the AGM and related papers are sent to shareholders at least 20 working days before the Meeting.

Voting rights in the Company's shares

Every shareholder on a show of hands has one vote. On a poll every shareholder who is present in person or by proxy or representative has one vote for every ordinary share. At general meetings all proxy votes are counted and, except where a poll is called, proxy voting is reported for each resolution after it has been dealt with on a show of hands. The proxy voting results are disclosed on the Company's page of the Manager's website at www.fidelityinvestmenttrusts.com.

Articles of Association

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

On behalf of the Board



David Robins
Chairman
21 March 2017

Directors' Remuneration Report

Chairman's Statement

The Directors' Remuneration Report for the year ended 31 December 2016 has been prepared in accordance with the Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 (the "Regulations"). As the Board is comprised entirely of non-executive Directors and has no employees, many parts of the Regulations, in particular those relating to chief executive officer pay and employee pay, do not apply and are therefore not disclosed in this report.

Ordinary resolutions to approve both the Directors' Remuneration Report and the Remuneration Policy will be put to shareholders at the AGM on 6 June 2017. The Company's independent Auditor is required to audit certain sections of this report and where such disclosures have been audited, the specific section has been indicated as such. The Auditor's opinion is included in its report on pages 36 to 40.

Directors' Remuneration

The fee structure has remained unchanged since 13 March 2012 and is as follows: Chairman: £30,000; Chairman of the Audit Committee: £23,000; and Directors: £20,000. There has been no increase in these fees since the year end.

Levels of remuneration are competitive and sufficient to attract and retain the quality of Directors needed to manage the Company successfully. Reviews are based on information provided by the Company's Manager and research from third parties and reference is made to the fees of other similar investment trusts. The Board has not employed remuneration consultants for the year under review.

The Remuneration Policy

The Remuneration Policy is subject to a binding vote, in the form of an ordinary resolution at every third AGM. A binding vote means that if it is not successful the Board will be obliged to revise the policy and seek further shareholder approval at a General Meeting specially convened for that purpose. The policy that has been in place over the last three years has been updated to reflect HMRC regulations in relation to expenses incurred by Directors in attending to the affairs of the Company. These are treated as a taxable benefit.

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 Board's policy to determine the level of Directors' fees having regard to the time spent by them on the Company's affairs; the level of fees payable to non-executive directors in the industry generally; the requirement to attract and retain individuals with suitable knowledge and experience; and the role that individual Directors fulfil. Other than fees and reasonable travel expenses incurred in attending to the affairs of the Company, the Directors are not eligible for any performance related pay or benefits, pension related benefits, share options, long term incentive schemes, or other taxable benefits. The Directors are not entitled to exit payments and are not provided with any compensation for loss of office.

The level of Directors' fees is determined by the whole Board. Directors do not vote on their own fees. The Board reviews the Company's Remuneration Policy and implementation on an annual basis. Reviews are based on information provided by the Company's Manager and research from third parties and it includes information on the fees of other similar investment trusts.

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 Company's Articles of Association. Copies of the Directors' letters of appointment are available at each of the Company's AGMs and can be obtained from the Company's registered office.

In common with most investment trusts there is no Chief Executive Officer and there are no employees.

The Company's remuneration policy will apply to new Board members, who will be paid the equivalent amount of fees as current Board members.

Report on the Implementation of the Remuneration Policy

The Remuneration Policy as set out above is subject to approval by shareholders by way of a binding resolution at this year's AGM on 6 June 2017. The Policy has been followed throughout the year ended 31 December 2016 and up to the date of this report.

The Directors' Remuneration Report is subject to approval by shareholders by way of a non-binding 'advisory' resolution at each AGM. In the event that shareholders vote against the resolution, the Board will be required to put its Remuneration Policy for shareholder approval at the next AGM, regardless of whether the Remuneration Policy was approved by shareholders within the last three years.

Voting at the Company's last AGM

At the AGM held on 24 May 2016, 99.81% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 December 2015, 0.12% of votes were cast against and 0.07% of votes were withheld.

The Company's Remuneration Policy was approved at the AGM held on 14 May 2014, with 99.59% of votes cast in favour, 0.33% of votes cast against and 0.08% of votes withheld.

Both the Directors' Remuneration Report and the Remuneration Policy will be put to shareholders at the AGM on 6 June 2017, and the votes cast on both resolutions will be disclosed on the Company's pages of the Manager's website at www.fidelityinvestmenttrusts.com.

Single Total Figure of Remuneration

The single total aggregate Directors' remuneration for the year under review was £121,980 (2015: £141,698). Information on individual Directors' fees is shown below. In addition, following

HMRC regulations, the Company is required to disclose expenses incurred by Directors in attending to the affairs of the Company. These are considered to be a taxable benefit and are also disclosed in the table below.

Remuneration of Directors	2017	2016	2016	2016	2015	2015	2015
	Projected Fees (£)	Fees (Audited) (£)	Taxable Benefits (Audited) (£)	Total (Audited) (£)	Fees (Audited) (£)	Taxable Benefits (Audited) (£)	Total (Audited) (£)
David Robins	30,000	30,000	-	30,000	30,000	-	30,000
Philip Kay	20,000	20,000	-	20,000	20,000	-	20,000
Sir Laurence Magnus	23,000	23,000	-	23,000	23,000	-	23,000
Mami Mizutori	20,000	20,000	222	20,222	20,000	67	20,067
Dominic Ziegler	20,000	20,000	-	20,000	20,000	-	20,000
Simon Fraser ¹	n/a	n/a	n/a	n/a	8,553	-	8,553
David Miller ²	n/a	8,333	425	8,758	20,000	78	20,078
Total	113,000	121,333	647	121,980	141,553	145	141,698

¹ Retired 4 June 2015

² Retired 24 May 2016

Directors' fees are paid monthly in arrears. Directors do not have a notice period to serve if their appointment were to be terminated.

Expenditure on Remuneration and Distributions to Shareholders

The table below shows the total amount paid out in remuneration and distributions to shareholders for the financial years to 31 December 2016 and 31 December 2015.

	31 December 2016 £	31 December 2015 £
Expenditure on Remuneration		
Aggregate of Directors' Remuneration	121,980	141,698
Distributions to Shareholders:		
Dividend payments	nil	nil
Shares repurchased	682,000	nil

Performance

The Company's investment objective 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. The graph on page 32 shows the performance of the Company's NAV, share price and the Russell Nomura Mid/Small Cap Index (in sterling terms) over eight years to 31 December 2016.

Directors' Remuneration Report continued

Directors' Interest in Shares

Although there is no requirement for the Directors to hold shares in the Company, Directors are encouraged to do so. The tables below show the shares held by Directors in the Company. All of the Directors' shareholdings are beneficial.

Directors' Shareholdings (Audited)

	31 December 2016	31 December 2015	Change during year
David Robins ¹	37,000	35,000	2,000
Philip Kay	12,183	12,183	-
Sir Laurence Magnus ¹	48,000	40,000	8,000
Mami Mizutori ²	11,063	nil	11,063
Dominic Ziegler	nil	nil	nil
David Miller ³	n/a	20,000	n/a

¹ Ordinary shares acquired on the exercise of rights attached to the subscription shares

² Purchase of shares

³ Retired 24 May 2016

The above shareholdings remain unchanged as at the date of this report.

On behalf of the Board



David Robins
Chairman
21 March 2017

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 that law they have elected to prepare the Financial Statements in accordance with UK Generally Accepted Accounting Practice, including FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 Strategic Report, a Directors' Report, a Corporate Governance Statement and a Directors' Remuneration Report that comply with that law and those regulations.

The Directors have delegated responsibility for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website at www.fidelityinvestmenttrusts.com to the Manager. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of the Financial Statements may differ from legislation in their own jurisdictions.

The Directors 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 of the Company; and
- The Annual 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.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approved by the Board on 21 March 2017 and signed on its behalf by:

On behalf of the Board



David Robins
Chairman

Report of the Audit Committee

I am pleased to present the formal report of the Audit Committee (the "Committee") to shareholders.

The primary responsibilities of the Committee are to ensure the integrity of the Company's financial reporting, the appropriateness of the risk management, and internal controls processes and the effectiveness of the independent audit process and how this has been assessed for the year ended 31 December 2016.

Composition

The Committee is chaired by me and consists of all of the Directors. David Robins is a member of the Committee because the Board believes it to be appropriate for all the Directors to have such responsibility. The Committee considers that its members have sufficient recent and relevant financial experience to discharge their responsibilities fully.

Role and Responsibilities

The Committee's authority and duties are clearly defined in its terms of reference and are available on the Company's pages of the Manager's website at www.fidelityinvestmenttrusts.com. These duties include:

- Establishing with the independent Auditor the nature and

scope of the audit, reviewing the independent Auditor's quality control procedures, the effectiveness of the audit process and the Auditor's independence;

- Responsibility for making recommendations on the appointment, reappointment and removal of the independent Auditor;
- Reviewing the effectiveness of the Company's risk management and internal controls systems (including financial, operational and compliance controls and risk management), considering the scope of work undertaken by the Manager's internal audit department, and reviewing the Company's procedures for detecting fraud;
- Monitoring the integrity of the Company's half-yearly and annual financial statements to ensure they are fair, balanced and understandable;
- Reviewing the existence and performance of all controls operating in the Company, including the control reporting of its service providers; and
- Reviewing the relationship with and the performance of third party service providers (such as the registrar, custodian and depositary).

Meetings and Business considered by the Audit Committee during the year

Since the date of the last annual report (31 March 2016), the Committee has met three times and the independent Auditor attended two of these meetings.

The following matters were dealt with and reviewed at each Committee meeting:

- Review of the Company's risk management and internal controls framework;
- Review of the Depositary's Oversight report;
- The Company's revenue and expenses forecasts and its Balance Sheet; and
- Review of the Committee's terms of reference.

In addition, the following matters were also considered at these meetings:

July 2016	<ul style="list-style-type: none">• The Half-Yearly Report and Financial Statements and recommendation of its approval to the Board• The Going Concern Statement
November 2016	<ul style="list-style-type: none">• The Auditor's engagement letter and audit plan for the Company's year ending 31 December 2016
March 2017	<ul style="list-style-type: none">• The independent Auditor's findings from the audit of the Company• The Auditor's performance, independence and reappointment• Compliance with Corporate Governance and regulatory requirements• The Annual Report and Financial Statements and recommendation of its approval to the Board• The Viability and Going Concern Statements

Annual Report and Financial Statements

The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities is on page 33. The Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise in relation to these and any specific areas which require judgement. The Committee members apply their expertise and knowledge in reviewing disclosures made in order to ensure that the Financial Statements are fair, balanced and understandable.

Significant issues considered by the Audit Committee

Summarised below are the most significant issues considered by the Committee in respect of these Financial Statements, and how they were addressed.

Recognition of Investment Income	Recognition of investment income is undertaken in accordance with accounting policy Note 2(d) on page 44. The Manager provided detailed revenue forecasts which the Committee reviewed and sought explanations for any significant variances to these forecasts. The Committee reviewed the internal audit and compliance monitoring reports received from the Manager to satisfy itself that adequate systems were in place for properly recording the Company's income. Investment income was also tested and reported on by the independent Auditor.
Valuation, existence and ownership of investments (including derivatives)	The valuation of investments (including derivatives) is in accordance with accounting policy Notes 2(i) and 2(j) on page 45. The Committee took comfort from the Depository's regular oversight reports that investment related activities were conducted in accordance with the Company's investment policy. The Committee received reports from the Manager and the Depository that the valuation, existence and ownership of investments had been verified. In addition, the Committee reviewed the work of the independent Auditor, who had also confirmed the existence and ownership of the investments with the Company's Custodian and that of the derivatives with the Company's counterparty.
Principal Risks and Uncertainties	The Committee reviewed the principal risks and uncertainties facing the Company and evaluated them according to the likelihood of the risk occurring and the impact the risk may have on the Company. Further details can be found on pages 13 to 15.
Going Concern and Viability	The Going Concern Statement is set out in the Directors' Report on page 23. The Committee satisfied itself as to the appropriateness of continuing to adopt the going concern basis of accounting in preparing the annual financial statements. The Viability Statement is set out in the Strategic Report on page 15. The Committee has assessed the prospects of the Company and is satisfied that there is a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due over the three year period of assessment.

Independence and Effectiveness of the Audit Process

Ernst & Young LLP acted as the Company's independent Auditor for the year ended 31 December 2016. The Committee reviewed the independence of the Auditor and the effectiveness of the audit process prior to recommending their reappointment to the Board at the forthcoming AGM.

With regard to the independence of the Auditor, the Committee reviewed:

- The audit plan for the year, including the audit team and approach to significant risks;
- The Auditor's arrangements for managing any conflicts of interest;
- The extent of any non-audit services*; and
- The statement by the Auditor that they remain independent within the meaning of the regulations and their professional standards.

* There were no non-audit services provided to the Company during the reporting period. Any indirect services provided to Fidelity which the Company utilised, were terminated before the start of the audit engagement.

With regard to the effectiveness of the audit process, the Committee reviewed:

- the fulfilment by the Auditor of the agreed audit plan;
- The audit findings report issued by the Auditor on the audit of the Annual Report and Financial Statements for the year ended 31 December 2016; and
- Feedback from the Manager.

Auditor's Appointment and Audit Tenure

In line with EU regulations on mandatory audit rotation, a formal audit tender process was carried out in October 2015 and Ernst & Young LLP was appointed as the Company's independent Auditor on 24 May 2016. The Committee reviewed the Auditor's independence and the effectiveness of the audit process prior to recommending their reappointment for a further year. The Auditor is required to rotate audit partners every five years and this is the first year that the audit partner, Matthew Price, has been in place. The Committee will continue to review the Auditor's appointment each year to ensure that the Company is receiving an optimal level of service. There are no contractual obligations that restrict the Company's choice of auditor.

Sir Laurence Magnus

Chairman of the Audit Committee

21 March 2017

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

Our opinion on the 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

We have audited the Financial Statements of Fidelity Japanese Values PLC for the year ended 31 December 2016 which comprise:

- The Income Statement for the year ended 31 December 2016;
- The Statement of Changes in Equity for the year ended 31 December 2016;
- The Balance Sheet as at 31 December 2016; and
- The related notes 1 to 18 to the Financial Statements.

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Overview of our audit approach

Materiality	£1.7m which represents 1% of Net Assets
Audit scope	<ul style="list-style-type: none">• Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company; and• All audit work was performed directly by the audit engagement team.
Risks of material misstatement	<ul style="list-style-type: none">• Incomplete or inaccurate income recognition• Valuation and existence of investments and derivatives

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the Financial Statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Incomplete or inaccurate income recognition <i>Refer to the Report of the Audit Committee (page 35); Accounting policies (page 44); and Note 3 of the Financial Statements (page 46).</i></p> <p>The Company has reported income of £2.5m (2015: £1.7m).</p> <p>Income recognition is a presumed risk under International Standards on Auditing (UK & Ireland): Material misstatements due to fraudulent financial reporting often result from an overstatement of income. The investment income receivable by the Company during the period directly affects the Company's ability to pay a dividend to shareholders and there is also a manual and judgemental element in allocating special dividends between income and capital. Given this, we considered there to be a potential fraud risk, in accordance with Auditing Standards, in this area of our audit.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Walked through the income recognition process to obtain an understanding of the design of the controls; • Agreed a sample of dividends to the corresponding announcement made by the investee company and agreed cash received to bank statements; • For the sample selected we tested the nature of the dividends received to an independent source and confirmed none as special dividends; • Agreed, for a sample of investee companies, the dividend announcements made by the investee company from an external third party source to the income entitlements recorded by the Company; • Agreed a sample of accrued dividends to an independent source and to post year end bank statement to assess the recoverability of these amounts; • For all samples selected, we tested the exchange rate used to translate the dividend income received in foreign currency to an independent source; and • Performed a review of revenue related journal entries, focusing in particular on journals posted around the year end date and raised in the processing and recording of special dividends. 	<p>The results of our procedures identified no issues with the measurement, completeness and classification of income receipts.</p> <p>Based on the work performed, we have no matters to report.</p>
<p>Valuation and existence of listed investments and derivatives <i>Refer to the Report of the Audit Committee (page 35); Accounting policies (page 45); and Notes 9 and 10 of the Financial Statements (pages 48 and 49)</i></p> <p>The valuation of the investments held at fair value through profit and loss and derivative instruments at 31 December 2016 was £166.0m (2015: £115.5m) comprising £161.8m (2015: £115.5m) of investments and £4.2m (2015: £(0.06)m) of derivatives.</p> <p>The investment portfolio is focused on listed investments and derivatives. The unlisted investment in the current year was valued at £1.0m (2015: Nil).</p> <p>The valuation of the assets held in the investment portfolio is the key driver of the Company's net assets and total return.</p> <p>Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Walked through the investments valuation and existence process to obtain an understanding of the design of the controls; • Agreed 100% of the holdings in the investment portfolio and derivatives to third party confirmations received from the Custodian and Broker; • Agreed the value and the number of shares of the unlisted security to the share purchase agreement and the payments to the bank statements; • Verified the valuation methodology used for the unlisted security by the FIL Fair Value Committee was consistent with UK GAAP and International Private Equity and Venture Capital Valuation Guidelines; • Independently valued 100% of the listed investments and derivatives prices in the portfolio using our bespoke asset pricing tool; and • For those investments priced in currencies other than sterling we have tested the exchange rates to an independent source. 	<p>The results of our procedures identified no material error in the value, existence and ownership of listed investments, unlisted investment and derivatives.</p> <p>Based on the work performed, we have no matters to report.</p>

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

Materiality	£1.7m
Basis	1% of Net Assets
Rational	We applied this basis as it is a generally accepted auditing practice for investment trust audits.
Performance materiality for the Financial Statements as a whole	£0.8m
Reporting Threshold	£0.08m

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. Taken together, this enables us to form an opinion on the Financial Statements. We take into account size, risk profile, the organisation and effectiveness of controls, changes in the business environment and other factors when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £1.7m, which is 1% of the Company's Net Assets. We believe that Net Assets provides the most important financial metric on which shareholders would judge the performance of the Company and it is a generally accepted auditing practice for investment trust audits.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% of materiality, namely £0.8m. We have opted for 50% of materiality as it is a first year audit.

Reporting threshold

An amount below which identified misstatements is considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.08m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. All audit work was performed directly by the audit engagement team.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 33, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report 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.

Opinion on other matter 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
- based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception

<p>International Standards on Auditing (UK and Ireland) reporting</p>	<p>We are required to report to you if, in our opinion, financial and non-financial information in the annual report is:</p> <ul style="list-style-type: none"> • Materially inconsistent with the information in the audited Financial Statements; or • Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or • Otherwise misleading. <p>In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' Statement that they consider the Annual Report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the entity's performance, business model and strategy; and whether the Annual Report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.</p>	<p>We have no exceptions to report.</p>
<p>Companies Act 2006 reporting</p>	<p>In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report</p> <p>We are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> • Adequate accounting records have not been kept by the Company, 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. 	<p>We have no exceptions to report.</p>
<p>Listing Rules review requirements</p>	<p>We are required to review:</p> <ul style="list-style-type: none"> • The Directors' Statement in relation to going concern, set out on page 23, and longer-term viability, set out on page 15; and • The part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. 	<p>We have no exceptions to report.</p>

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

Statement on the Directors' Assessment of the Principal Risks that would threaten the Solvency or Liquidity of the Entity

International Standards on Auditing (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: <ul style="list-style-type: none">• The Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;• The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;• The Directors' statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; and• The Directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.
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Matthew Price

(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London
21 March 2017

Notes:

The maintenance and integrity of the Fidelity International web site is the responsibility of Fidelity International; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Income Statement

for the year ended 31 December 2016

	Notes	Year ended 31 December 2016			Year ended 31 December 2015		
		revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Gains on investments held at fair value through profit or loss	9	-	30,593	30,593	-	21,132	21,132
Gains on derivative instruments	10	-	675	675	-	2,717	2,717
Income	3	2,471	-	2,471	1,728	-	1,728
Investment management fee	4	(1,597)	-	(1,597)	(1,130)	-	(1,130)
Other expenses	5	(489)	-	(489)	(508)	-	(508)
Foreign exchange gains/(losses)		-	247	247	(22)	(762)	(784)
Net return on ordinary activities before finance costs and taxation		385	31,515	31,900	68	23,087	23,155
Finance costs	6	(91)	-	(91)	(88)	-	(88)
Net return/(loss) on ordinary activities before taxation		294	31,515	31,809	(20)	23,087	23,067
Taxation on return/(loss) on ordinary activities	7	(202)	-	(202)	(140)	-	(140)
Net return/(loss) on ordinary activities after taxation for the year		92	31,515	31,607	(160)	23,087	22,927
Return/(loss) per ordinary share - undiluted and diluted	8	0.07p	24.56p	24.63p	(0.14p)	20.24p	20.10p

The Company does not have any other comprehensive income. Accordingly the net return/(loss) on ordinary activities after taxation for the year is also the total comprehensive income for the year and no separate Statement of Comprehensive Income has been presented.

The total column of this statement represents the Income Statement of the Company. The revenue and capital columns are supplementary and presented for information purposes as recommended by the Statement of Recommended Practice issued by the Association of Investment Companies.

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

The Notes on pages 44 to 56 form an integral part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 December 2016

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Total shareholders' funds at 31 December 2015		28,555	6,874	2,621	57,568	34,853	(14,471)	116,000
Issue of ordinary shares on the exercise of rights attached to subscription shares	13, 14	5,632	13,848	-	-	-	-	19,480
Ordinary shares repurchased for cancellation	13, 14	(146)	-	146	(498)	-	-	(498)
Ordinary shares repurchased and held in Treasury	14	-	-	-	(184)	-	-	(184)
Net return on ordinary activities after taxation for the year		-	-	-	-	31,515	92	31,607
Total shareholders' funds at 31 December 2016		34,041	20,722	2,767	56,886	66,368	(14,379)	166,405
Total shareholders' funds at 31 December 2014		28,501	6,741	2,621	57,568	11,766	(14,311)	92,886
Issue of ordinary shares on the exercise of rights attached to subscription shares		54	133	-	-	-	-	187
Net return/(loss) on ordinary activities after taxation for the year		-	-	-	-	23,087	(160)	22,927
Total shareholders' funds at 31 December 2015		28,555	6,874	2,621	57,568	34,853	(14,471)	116,000

The Notes on pages 44 to 56 form an integral part of these Financial Statements.

Balance Sheet

as at 31 December 2016
Company number 2885584

	Notes	2016 £'000	2015 £'000
Fixed assets			
Investments held at fair value through profit or loss	9	161,777	115,532
Current assets			
Derivative instruments	10	4,619	1,056
Debtors	11	534	1,063
Cash at bank		620	220
		5,773	2,339
Creditors			
Derivative instruments	10	(424)	(1,117)
Other creditors	12	(721)	(754)
		(1,145)	(1,871)
Net current assets		4,628	468
Net assets		166,405	116,000
Capital and reserves			
Share capital	13	34,041	28,555
Share premium account	14	20,722	6,874
Capital redemption reserve	14	2,767	2,621
Other reserve	14	56,886	57,568
Capital reserve	14	66,368	34,853
Revenue reserve	14	(14,379)	(14,471)
Total equity shareholders' funds		166,405	116,000
Net asset value per ordinary share			
Undiluted	15	122.37p	101.56p
Diluted	15	122.37p	99.08p

The Financial Statements on pages 41 to 56 were approved by the Board of Directors on 21 March 2017 and were signed on its behalf by:



David Robins
Chairman

The Notes on pages 44 to 56 form an integral part of these Financial Statements.

Notes to the Financial Statements

1 Principal Activity

Fidelity Japanese Values PLC is an Investment Company incorporated in England and Wales with a premium listing on the London Stock Exchange. The Company's registration number is 2885584, and its registered office is Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP. The Company has been approved by HM Revenue & Customs as an Investment Trust under Section 1158 of the Corporation Tax Act 2010 and intends to conduct its affairs so as to continue to be approved.

2 Accounting Policies

The Company has prepared its Financial Statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), issued by the Financial Reporting Council ("FRC") and these Financial Statements have been prepared in accordance with FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Company has early adopted the amendments to FRS 102: Fair value hierarchy disclosures, issued by the FRC in March 2016 and applicable for accounting periods beginning on or after 1 January 2017. The Financial Statements have also been prepared in accordance 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 November 2014. The Company is exempt from presenting a Cash Flow Statement as a Statement of Changes in Equity is presented and substantially all of the Company's investments are highly liquid and are carried at market value.

- 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 investments and derivative instruments.
- b) Segmental reporting** - The Company is engaged in a single segment business and, therefore, no segmental reporting is provided.
- c) Presentation of the Income Statement** - In order to reflect better the activities of an investment company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been prepared alongside the Income Statement. The net revenue return after taxation for the year is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1159 of the Corporation Tax Act 2010.
- d) Income** - Income from equity investments is accounted for on the date on which the right to receive the payment is established, normally the ex dividend date. Overseas dividends are accounted for gross of any tax deducted at source. Amounts are credited to the revenue column of the Income Statement. 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. Special dividends are treated as a revenue receipt or a capital receipt depending on the facts and circumstances of each particular case. Derivative instrument income received from dividends on long contracts for difference ("CFDs") is accounted for on the date on which the right to receive the income is established, normally the ex dividend date. Amounts are credited to the revenue column of the Income Statement.
- e) Management fees and other expenses** - Management fees and other expenses are accounted for on an accruals basis and are charged in full to the revenue column of the Income Statement.
- f) Functional currency and foreign exchange** - The Directors, having regard to the Company's share capital and the predominant currency in which its investors operate, have determined its functional currency to be UK sterling. Transactions denominated in foreign currencies are reported in UK sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the Balance Sheet date. Foreign exchange gains and losses arising on translation are recognised in the Income Statement as a revenue or a capital item depending on the nature of the underlying item to which they relate.
- g) Finance costs** - Finance costs represent interest paid on long CFDs and are accounted for on an accruals basis using the effective interest method. They are charged in full to the revenue column of the Income Statement.
- h) Taxation** - The taxation charge represents the sum of current taxation and deferred taxation.

Current taxation is taxation suffered at source on overseas income less amounts recoverable under taxation treaties. Taxation is charged or credited to the revenue column of the Income Statement, except where it relates to items of a capital nature, in which case it is charged or credited to the capital column of the Income Statement.

Deferred taxation is the taxation expected to be payable or recoverable on timing differences between taxable profit and the accounting profit and is based on tax rates that have been enacted or substantively enacted when the taxation is expected to be payable or recoverable. It is accounted for using the balance sheet liability method. Deferred taxation liabilities are recognised for all taxable timing differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible timing differences can be utilised.

i) Investments – The Company's business is investing in financial instruments with a view to profiting from their total return in the form of income and capital growth. This portfolio of investments 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. Investments are measured at fair value with changes in fair value recognised in profit or loss, in accordance with the provisions of both Section 11 and Section 12 of FRS 102. The fair value of investments is initially taken to be their cost and is subsequently measured as follows:

- Listed investments are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed, or otherwise, at fair value based on published price quotations; and
- Unlisted investments are investments which are not quoted, or are not frequently traded, and are stated at the Directors' best estimate of fair value. The Manager's Fair Value Committee, which is independent of the Portfolio Manager's team, provides a recommendation of fair values to the Directors based on recognised valuation techniques that take account of the cost of the investment and recent arm's length transactions in the same or similar investments.

In accordance with the AIC SORP, the Company includes transaction costs, incidental to the purchase or sale of investments, within gains on investments in the capital column of the Income Statement and has disclosed these costs in note 9.

j) Derivative instruments – Some of the Company's portfolio exposure to Japanese equities is achieved by investment in long CFDs. Long CFDs are classified as other financial instruments and are initially accounted and measured at fair value on the date the derivative contract is entered into. They are subsequently measured at fair value which is the difference between the price of the shares underlying the contract when the contract was opened and their closing price (calculated in accordance with policy 2(i) above) at the valuation date.

k) Cash at bank – Cash at bank is subject to an insignificant risk of change in value.

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

- Gains and losses on the disposal of investments and derivative instruments;
- Changes in the fair value of 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 issued by the Institute of Chartered Accountants in England and Wales (TECH 02/10: Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006), 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 Statement of Changes in Equity and the Balance Sheet. At the Balance Sheet date, with the exception of unlisted investments with a fair value of £958,000 (2015: nil), the portfolio of the Company consisted of investments listed on a recognised stock exchange and derivative instruments contracted with counterparties having an adequate credit rating, and the portfolio was considered to be readily convertible to cash.

Notes to the Financial Statements continued

3 Income

	Year ended 31.12.16 £'000	Year ended 31.12.15 £'000
Investment income		
Overseas dividends	2,022	1,404
Derivative income		
Dividends on long CFDs	449	324
Total income	2,471	1,728

4 Investment Management Fees

	Year ended 31.12.16 £'000	Year ended 31.12.15 £'000
Investment management fees	1,597	1,130

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management to FIL Investments International ("FIL"), the Investment Manager. Both companies are Fidelity group companies. FIL charges portfolio management services fees at an annual rate of 0.85% of the value of assets under management. Fees are payable quarterly in arrears and are calculated on the last business day of March, June, September and December. Further details of the terms of the Management Agreement are given in the Directors' Report on page 23.

5 Other Expenses

	Year ended 31.12.16 £'000	Year ended 31.12.15 £'000
AIC fees	9	7
Administration and secretarial fees payable to the Investment Manager	46	45
Custody fees	14	12
Depositary fees	17	14
Directors' expenses	31	41
Directors' fees ¹	121	142
Legal and professional fees	48	48
Marketing expenses	88	77
Printing and publication expenses	51	51
Registrars' fees	29	33
Sundry other expenses	11	14
Fees payable to the Company's Independent Auditor for the audit of the annual financial statements	24	24
	489	508

¹ Details of the breakdown of Directors' fees are provided in the Directors' Remuneration Report on page 31

6 Finance Costs

	Year ended 31.12.16 £'000	Year ended 31.12.15 £'000
Interest paid on long CFDs	91	88

7 Taxation on Return on Ordinary Activities

	Year ended 31.12.16 £'000	Year ended 31.12.15 £'000
a) Analysis of taxation charge for the year		
Overseas taxation suffered (Note 7b)	202	140

b) Factors affecting the taxation charge for the year

The taxation charge for the year is lower than the standard rate of UK corporation tax for an investment trust company of 20% (2015: 20.25%). A reconciliation of tax at the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	Year ended 31.12.16 £'000	Year ended 31.12.15 £'000
Net return on ordinary activities before taxation	31,809	23,067
Net return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 20% (2015: 20.25%)	6,362	4,671
Effects of:		
Gains on investments not taxable ¹	(6,303)	(4,675)
Income not taxable	(404)	(285)
Excess management expenses not utilised	345	289
Overseas taxation	202	140
Taxation charge for the year (Note 7a)	202	140

¹ The Company is exempt from UK taxation on capital gains as it meets the HM Revenue & Customs criteria for an investment company set out in Section 1159 of the Corporation Tax Act 2010

c) Deferred taxation

A deferred tax asset of £3,665,000 (2015: £3,601,000), in respect of excess expenses of £21,560,000 (2015: £20,005,000), has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

8 Return/(loss) per Ordinary Share – undiluted and diluted

	Year ended 31 December 2016			Year ended 31 December 2015		
	revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Return/(loss) per ordinary share	0.07p	24.56p	24.63p	(0.14p)	20.24p	20.10p

The returns/(loss) per ordinary share are based on, respectively; the net revenue return on ordinary activities after taxation for the year of £92,000 (2015: loss of £160,000), the net capital return on ordinary activities after taxation for the year of £31,515,000 (2015: £23,087,000) and the net total return on ordinary activities after taxation for the year of £31,607,000 (2015: £22,927,000), and on 128,319,344 ordinary shares (2015: 114,076,562), being the weighted average number of ordinary shares held outside Treasury in issue during the year.

There is no dilution in either year as the average ordinary share price in both years was below the exercise price of the subscription shares in issue.

Notes to the Financial Statements continued

9 Investments

	2016 £'000	2015 £'000
Investments held at fair value through profit or loss		
Listed overseas investments	160,819	115,532
Unlisted overseas investments	958	-
Total investments	161,777	115,532
Opening book cost	100,256	75,964
Opening investment holding gains	15,276	6,522
Opening fair value	115,532	82,486
Movements in the year		
Purchases at cost	120,492	165,380
Sales - proceeds	(104,840)	(153,466)
Gains on sales of investments	12,857	12,378
Movement in investment holding gains	17,736	8,754
Closing fair value	161,777	115,532
Closing book cost	128,765	100,256
Closing investment holding gains	33,012	15,276
Closing fair value	161,777	115,532
	Year ended 31.12.16 £'000	Year ended 31.12.15 £'000
Gains on investments held at fair value through profit or loss		
Gains on sales of investments	12,857	12,378
Movement in investment holding gains	17,736	8,754
	30,593	21,132
Costs of investment transactions		
Transaction costs incurred in the acquisition and disposal of investments, which are included in the gains on sales of investments above, were as follows:		
Purchase transaction costs	108	97
Sales transaction costs	84	93
	192	190

The portfolio turnover rate for the year ended 31 December 2016 was 78.1% (2015: 128.7%).

10 Derivative Instruments

	fair value £'000	2016 portfolio exposure £'000	fair value £'000	2015 portfolio exposure £'000
Long CFDs - assets	4,619	37,358	1,056	6,426
Long CFDs - liabilities	(424)	7,765	(1,117)	13,294
	4,195	45,123	(61)	19,720

The portfolio exposure shows the amount exposed to market price movements in the shares underlying the long CFDs.

	Year ended 31.12.16 £'000	Year ended 31.12.15 £'000
Gains on derivative instruments		
(Losses)/gains on long CFD positions closed	(3,581)	9,935
Movement in investment holding gains/(losses) on long CFDs	4,256	(7,218)
	675	2,717

11 Debtors

	2016 £'000	2015 £'000
Securities sold for future settlement	65	752
Accrued income	405	243
Other debtors and prepayments	64	68
	534	1,063

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

12 Other Creditors

	2016 £'000	2015 £'000
Securities purchased for future settlement	97	255
Other creditors and accruals	624	499
	721	754

Notes to the Financial Statements continued

13 Share Capital

		2016		2015
	number of shares	£'000	number of shares	£'000
Ordinary shares of 25 pence each - issued, allotted and fully paid				
Held outside Treasury				
Beginning of the year	114,218,356	28,555	114,002,375	28,501
Issue of ordinary shares on the exercise of rights attached to subscription shares	22,527,339	5,632	215,981	54
Ordinary shares repurchased for cancellation	(584,000)	(146)	-	-
Ordinary shares repurchased and held in Treasury	(180,000)	(45)	-	-
End of the year	135,981,695	33,996	114,218,356	28,555
Held in Treasury				
Beginning of the year	-	-	-	-
Ordinary shares repurchased and held in Treasury	180,000	45	-	-
End of the year	180,000	45	-	-
Subscription shares of 0.001 pence each - issued, allotted and fully paid				
Beginning of the year	22,527,339	-	22,743,320	-
Cancellation of subscription shares on the exercise of rights	(22,527,339)	-	(215,981)	-
End of the year	-	-	22,527,339	-
Total share capital		34,041		28,555

A bonus issue of subscription shares to ordinary shareholders on the basis of one subscription share for every five ordinary shares held took place on 27 August 2014. Each subscription share gave the holder the right, but not the obligation, on the last business day of each month to subscribe for one ordinary share upon payment of the subscription price of 86.50 pence. The final date to exercise those rights was 29 April 2016. After 29 April 2016, the Company appointed a trustee who exercised all the remaining rights attached to the subscription shares that had not been exercised by shareholders. The resulting ordinary shares issued were sold in the market and the profits of that sale, being the net proceeds less the 86.50 pence per share cost of exercising the rights and after deduction of expenses and fees, were paid to the holders of those outstanding subscription shares. Subscription shares carried no rights to vote, to receive a dividend or to participate in the winding up of the Company.

During the year the Company issued 22,527,339 ordinary shares (year ended 31 December 2015: 215,981) on the exercise of rights attached to subscription shares. The subscription share price of 86.50 pence per ordinary share issued, represented a premium of 61.50 pence per share over the 25 pence nominal value of each share. The total premium received in the year on the issue of ordinary shares of £13,848,000 (year ended 31 December 2015: £133,000) was credited to the share premium account.

During the year, the Company repurchased and cancelled 584,000 ordinary shares (year ended 31 December 2015: nil). The £146,000 nominal value of those cancelled shares was credited to the capital redemption reserve and the £498,000 cost of repurchase, at an average cost of 0.853 pence per share, was charged to the other reserve (Note 14).

In addition, during the year the Company repurchased a further 180,000 ordinary shares (year ended 31 December 2015: nil) for holding in Treasury rather than cancelling them. The £45,000 nominal value of those shares is shown in the table above. The £184,000 cost of repurchase, at an average cost of 101.02 pence per share, was charged to the other reserve (Note 14). Shares held in Treasury carry no rights to vote, to receive a dividend or to participate in the winding up of the Company.

14 Share Premium Account and Reserves

	2016				
	share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000
Beginning of the year	6,874	2,621	57,568	34,853	(14,471)
Premium received from the issue of ordinary shares on the exercise of rights attached to subscription shares	13,848	-	-	-	-
Transfer from share capital of the nominal value of ordinary shares repurchased for cancellation	-	146	-	-	-
Cost of ordinary shares repurchased for cancellation	-	-	(498)	-	-
Cost of ordinary shares repurchased and held in Treasury	-	-	(184)	-	-
Net return on ordinary activities after taxation for the year	-	-	-	31,515	92
End of the year	20,722	2,767	56,886	66,368	(14,379)

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. The reserve cannot be used to fund share repurchases and it is not distributable by way of dividend.

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

The other reserve was created in 1999 when the share premium account at that time was cancelled. The reserve can be used to fund share repurchases.

The capital reserve reflects realised gains and 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. At the Balance Sheet date the capital reserve included £37,207,000 (2015: £15,215,000) relating to the revaluation of investments and derivative instruments. The reserve can be used to fund share repurchases and it is distributable by way of dividend.

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

15 Net Asset Value per Ordinary Share

The undiluted net asset value per ordinary share is based on net assets of £166,405,000 (2015: £116,000,000) and on 135,981,695 (2015: 114,218,356) ordinary shares, being the number of ordinary shares in issue that are held outside Treasury at the year end. It is the Company's policy that shares held in Treasury will only be reissued at a premium to net asset value per share and, therefore, shares held in Treasury have no dilutive effect.

There is no dilution at 31 December 2016 as all the subscription share rights were exercised during the year and there are no longer any subscription shares in issue. The diluted net asset value per ordinary share at 31 December 2015 is calculated on the basis of what the financial position would have been if all the rights attaching to the 22,527,339 subscription shares in issue had been exercised on that date. This basis of calculation is in accordance with guidelines laid down by the AIC.

Notes to the Financial Statements continued

16 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 Strategic Report on pages 12 to 15. This note 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 long CFDs; and
- Cash, liquid resources and short term debtors and creditors that arise from its operations.

The risks identified 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 instrument risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies are consistent with those followed last year.

Market price risk

Interest rate risk

The Company finances its operations through share capital and reserves. In addition, the Company has a geared exposure to Japanese equities through the use of long CFDs which incur funding costs and provide collateral in yen. The Company is exposed to a financial risk arising as a result of increases in yen interest rates associated with the funding of the long CFDs.

Interest rate risk exposure

The values of the Company's financial instruments that are exposed to movements in interest rates are shown below:

	2016 £'000	2015 £'000
Exposure to financial instruments that bear interest		
Long CFDs – portfolio exposure less fair value	40,928	19,781
Less: exposure to financial instruments that earn interest		
Cash at bank	(620)	(220)
Net exposure to financial instruments that bear interest	40,308	19,561

Foreign currency risk

The Company's net return on ordinary activities after taxation for the year and its net assets may be affected by foreign exchange movements because the Company has income and assets which are denominated in yen, whereas, the Company's functional currency is UK sterling. The Company may also be subject to short term exposure from exchange rate movements, for example, between the date when an investment is purchased or sold and the date when settlement of the transaction occurs. The Company does not hedge the UK sterling value of investments or other net assets priced in yen by the use of derivative instruments.

Three significant areas have been identified where foreign currency risk may 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 income received.

16 Financial Instruments continued

Currency exposure of financial assets

The currency exposure profile of the Company's financial assets is shown below:

					2016
	investments held at fair value through profit or loss £'000	portfolio exposure to long CFDs £'000	debtors £'000	cash £'000	total £'000
Financial assets held in yen	161,777	45,123	470	617	207,987
					2015
	investments held at fair value through profit or loss £'000	portfolio exposure to long CFDs £'000	debtors £'000	cash £'000	total £'000
Financial assets held in yen	115,532	19,720	995	218	136,465

Currency exposure of financial liabilities

The currency exposure profile of the Company's financial liabilities is shown below:

			2016
			other creditors £'000
			total £'000
Financial liabilities held in yen			111
			2015
			other creditors £'000
			total £'000
Financial liabilities held in yen			255

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 may suffer through holding market positions in the face of price movements. The Board meets at least quarterly to consider the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective. The Portfolio Manager is responsible for actively managing and 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.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company's assets mainly comprise readily realisable securities and derivative instruments which can be sold easily to meet funding commitments if necessary. Short term flexibility is achieved by the use of a bank overdraft, if required.

Liquidity risk exposure

At 31 December 2016 the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £424,000 (2015: £1,117,000) and other creditors and accruals of £721,000 (2015: £754,000).

16 Financial Instruments continued

Counterparty risk

The long CFDs in which the Company invests are not traded on an exchange but instead are traded between counterparties based on contractual relationships, under the terms outlined in the International Swaps Dealers Association's ("ISDA") market standard derivative legal documentation. As a result the Company is subject to the risk that a counterparty may not perform its obligations under the related contract. The Manager will seek to minimise such risk by only entering into transactions with counterparties which it believes have an adequate credit rating at the time of the transaction. The Manager ensures that formal legal agreements covering the terms of the contract are entered into in advance. It adopts a counterparty risk framework which measures, monitors and manages counterparty risk, by the use of internal and external credit agency ratings, and evaluates derivative instrument credit risk exposure.

For the long CFDs, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 December 2016, £5,349,000 (2015: £92,000) was held by brokers, in government bonds in a segregated collateral account on behalf of the Company, to reduce the credit risk exposure of the Company.

Credit risk

Financial instruments may be adversely affected if any of the institutions with which money is deposited suffer insolvency or other financial difficulties. All transactions are carried out with brokers that have been approved by the Manager and are settled on a delivery versus payment basis. Limits are set on the amount that may be due from any one broker and are kept under review by the Manager. Exposure to credit risk arises on the Balance Sheet value of unsettled security transactions and long CFD contracts and cash at bank.

Derivative instruments risk

The risks and risk management processes which result from the use of long CFDs are included within the risk categories disclosed above. Long CFDs 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 long CFDs held in the Company's portfolio is overseen by the Manager's experienced, specialist derivative instruments team that uses portfolio risk assessment and construction tools to manage risk and investment performance.

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at 31 December 2016, an increase of 0.25% in interest rates throughout the year, with all other variables held constant, would have decreased the return on ordinary activities after taxation for the year and decreased the net assets of the Company by £101,000 (2015: £49,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

Based on the financial instruments held and currency exchange rates at 31 December 2016, a 10% strengthening of the UK sterling exchange rate against the yen, with all other variables held constant, would have decreased the Company's net return on ordinary activities after taxation for the year and decreased the Company's net assets by £15,177,000 (2015: £10,584,000). A 10% weakening of the UK sterling exchange rate against the yen would have increased the Company's net return on ordinary activities after taxation for the year and increased the Company's net assets by £18,549,000 (2015: £12,936,000).

Other price risk – exposure to investments risk sensitivity analysis

Based on the investments held and share prices at 31 December 2016, an increase of 10% in share prices, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £16,178,000 (2015: £11,553,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Other price risk – exposure to derivative instruments risk sensitivity analysis

Based on the long CFDs held and share prices at 31 December 2016, an increase of 10% in the share prices underlying the long CFDs, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £4,512,000 (2015: £1,972,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Fair Value Hierarchy

The Company is required to disclose the fair value hierarchy that classifies its 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.

16 Financial Instruments continued

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 valuation techniques used by the Company are explained in Note 2 (i) and (j). The table below sets out the Company's fair value hierarchy:

	Level 1	Level 2	Level 3	2016
	£'000	£'000	£'000	Total
				£'000
Financial assets at fair value through profit or loss				
Investments	160,819	-	958	161,777
Derivative instruments - long CFDs	-	4,619	-	4,619
	160,819	4,619	958	166,396
Financial liabilities at fair value through profit or loss				
Derivative instruments - long CFDs	-	(424)	-	(424)
				2015
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit or loss				
Investments	115,532	-	-	115,532
Derivative instruments - long CFDs	-	1,056	-	1,056
	115,532	1,056	-	116,588
Financial liabilities at fair value through profit or loss				
Derivative instruments - long CFDs	-	(1,117)	-	(1,117)

The table below sets out the movements in level 3 financial instruments during the year:

	Year ended	Year ended
	31.12.16	31.12.15
	level 3	level 3
	£'000	£'000
Beginning of the year	-	-
Unlisted investment purchased	958	-
End of the year	958	-

The Directors' best estimate of the fair value of the unlisted investment is its cost which approximates to its fair value.

Notes to the Financial Statements continued

17 Capital Resources

The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital and reserves, as disclosed on the Balance Sheet, and its gearing which is achieved through the use of long CFDs. Financial resources are managed in accordance with the Company's investment policy and in pursuit of its investment objective, both of which are detailed in the Strategic Report on page 12. The principal risks and their management are disclosed in the Strategic Report on pages 13 to 15 and in Note 16.

18 Transactions with the Manager and Related Parties

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management and the role of company secretary to FIL Investments International ("FIL"), the Investment Manager. Both companies are Fidelity group companies. Details of the fee arrangements are given in the Directors' Report on page 23 and in Note 4. During the year fees for portfolio management services of £1,597,000 (2015: £1,130,000) and fees for non-portfolio management services of £46,000 (2015: £45,000) were payable to FIL. Non-portfolio management fees include company secretarial, fund accounting, taxation, promotional and corporate advisory services. At the Balance Sheet date, fees for portfolio management services of £441,000 (2015: £289,000) and fees for non-portfolio management services of £12,000 (2015: £11,000) were accrued and included in other creditors. FIL also provides the Company with marketing services. The total amount payable for these services during the year was £88,000 (2015: £77,000) and at the Balance Sheet date £32,000 (2015: £69,000) was accrued and included in other creditors.

Disclosures of the Directors' interests in the ordinary shares of the Company and Directors' fees and taxable benefits relating to reasonable travel expenses payable to the Directors are given in the Directors' Remuneration Report on pages 31 and 32. The Directors received compensation of £132,000 (2015: £155,000). In addition to the fees and taxable benefits disclosed in the Directors' Remuneration Report, this amount includes £10,000 (2015: £13,000) of employers' National Insurance Contributions paid by the Company.

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 6 June 2017 at 4.00 pm for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2016.
2. To re-elect David Robins as a Director.
3. To re-elect Philip Kay as a Director.
4. To re-elect Sir Laurence Magnus as a Director.
5. To re-elect Mami Mizutori as a Director.
6. To re-elect Dominic Ziegler as a Director.
7. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 30) for the year ended 31 December 2016.
8. To approve the Remuneration Policy as stated in the Directors' Remuneration Report on page 30.
9. To reappoint Ernst & Young 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.
10. To authorise the Directors to determine the Auditor's remuneration.

To consider and, if thought fit, to pass the following resolutions of which Resolution 11 will be proposed as an ordinary resolution and Resolutions 12 and 13 as special resolutions:

Authority to allot shares and dis-application of pre-emption rights

Resolutions 11 and 12 will, if approved, authorise the Directors to allot a limited number of the new ordinary shares (or sell any ordinary shares which the Company elects to hold in Treasury) 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 2017. The Directors will only issue new ordinary shares, or dispose of ordinary shares held in Treasury, 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. Any ordinary shares held in Treasury would only be re-issued at net asset value per share, or at a premium to net asset value per share. This would ensure that the net effect of repurchasing and then re-issuing the ordinary shares would enhance net asset value per share.

11. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers

of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £1,702,021 (approximately 5% of the aggregate nominal amount of the issued ordinary share capital of the Company (including Treasury shares) as at 21 March 2017) and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authority to expire at the conclusion of the next Annual General Meeting of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired. All previous unexpired authorities are revoked, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

12. THAT, subject to the passing of Resolution 11, as set out above, the Directors be and they are hereby authorised, pursuant to Sections 570-573 of the Act to allot equity securities (as defined in Section 560 of that Act) for cash pursuant to the authority given by the said Resolution 11 and/or to sell ordinary shares held by the Company as Treasury shares for cash, as if Section 561 of that Act did not apply to any such allotment or sale, provided that this power shall be limited:

- a) to the allotment of equity securities or sale of Treasury shares up to an aggregate nominal amount of £1,702,021 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 21 March 2017); and
- b) in either case, by the condition that allotments of equity securities or sales of Treasury shares may only be made pursuant to this authority at a price of not less than the net asset value per share,

and this power shall expire at the conclusion of the next AGM 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.

Authority to repurchase shares

Resolution 13 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of ordinary shares in issue (excluding Treasury shares) on 21 March 2017 for immediate cancellation or for retention as Treasury shares, at the determination of the Board. Once shares are held

Notice of Meeting continued

in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases of ordinary 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 net asset value per share.

13. 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 "shares") provided that:

- a) the maximum number of shares hereby authorised to be purchased shall be 20,338,686 ordinary shares;
- b) the minimum price which may be paid for an ordinary share is 25p;
- c) the maximum price (excluding expenses) which may be paid for a share is the higher of:
 - (i) 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; and
 - (ii) the amount stipulated by the European Commission pursuant to Article 5(6) of the Market Abuse Regulation (EU) No. 596/2014;
- d) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company unless such authority is renewed prior to such time; and
- e) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract.

By Order of the Board

FIL Investments International

Secretary

21 March 2017

Notes:

1. A member of the Company entitled to attend and vote at the AGM 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 AGM 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 Registrar at the address on the form to arrive not later than 4.00 pm on 2 June 2017. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if they so wish.
3. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrar, Capita Asset Services, PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF 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 4.00 pm on 2 June 2017. 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 Registrar no later than 4.00 pm on 2 June 2017.

6. All members are entitled to attend and vote at the AGM and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at close of business on 2 June 2017.
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 Note 2 above does not apply to 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 Conduct 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 Conduct 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 AGM (and for the purpose of determining the number of votes they may cast), members must be entered on the register of members by close of business on 2 June 2017. If the meeting is adjourned then, to be so entitled, members must be entered on the Register of Members by close of business 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 2017 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 136,161,695 ordinary shares. The number of Treasury shares held by the Company was 480,000. Therefore, the total number of voting rights in the Company as at 21 March 2017 was 135,681,695.
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 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 AGM or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the Annual Report and Financial Statements were laid. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with such requests. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.
14. No Director has a service contract with the Company.
15. 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.fidelityinvestmenttrusts.com.

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

Financial Calendar

The key dates in the Company's calendar are:

31 December 2016 - Financial Year End

March 2017 - Announcement of results for the Year Ending 31 December 2016

April 2017 - Publication of this Report

6 June 2017 - Annual General Meeting

30 June 2017 - Half-Year End

July/August 2017 - Announcement of Half-Yearly results to 30 June 2017

August 2017 - Publication of Half-Yearly Report

Shareholder Information

Investing in Fidelity Japanese Values PLC

As Fidelity Japanese Values PLC is a company listed on the London Stock Exchange you can buy its shares through a stockbroker, share shop or bank. Fidelity also offers a range of options, so that you can invest in a way that is best for you. Details of how to invest can be found on Fidelity's website at www.fidelityinvestmenttrusts.com.

Contact Information

Existing shareholders should contact the appropriate administrator using the contact details given below. This may be Capita Asset Services, the Company's Registrar, or Fidelity or it may be another platform or administrator of your choice. Links to the websites of major platforms can be found online at www.fidelityinvestmenttrusts.com

Holders of ordinary shares on the main share register
Capita Asset Services, Registrar to Fidelity Japanese Values PLC,
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Telephone: **0871 664 0300** (calls cost 12p per minute plus network extras. If you are outside the United Kingdom, call **+44 371 664 0300**. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 am to 5.30 pm Monday to Friday, excluding public holidays in England and Wales).

Email: shareholderenquiries@capita.co.uk

Details of individual shareholdings and other information can also be obtained from the Registrar's website: www.capitaassetservices.com

Fidelity Platform investors

Fidelity, using the freephone numbers given below, or by writing to: UK Customer Service, Fidelity International, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ.

Website: www.fidelity.co.uk/fidelityits

Private investors: call free to **0800 41 41 10**, 9.00 am to 6.00 pm, Monday to Saturday.

Financial advisers: call free to **0800 41 41 81**, 8.00 am to 6.00 pm, Monday to Friday.

General enquiries

General enquiries should be made to the Secretary, at the Company's registered office: FIL Investments International, Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP. Telephone: **01732 361 144**.

Email: investmenttrusts@fil.com

Website: www.fidelityinvestmenttrusts.com

Online Shareholder Services - Share Portal

Through the website of the Registrar at www.capitashareportal.com, shareholders are able to manage their shareholding online by registering for the Share Portal, a free and 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 to add, change or delete dividend mandate instructions. Shareholders can also download forms such as change of address, stock transfer and dividend mandate forms as well as buy and sell shares in the Company.

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 0300** (calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call **+44 371 664 0300**. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 am to 5.30 pm, Monday to Friday excluding public holidays in England and Wales).

Capita Share Dealing Services

You can make use of a low cost share dealing service provided by Capita Asset Services to buy or sell shares. Further information is available at www.capitadeal.com, or by telephoning **0371 664 0445** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 8.00 am to 4.30 pm, Monday to Friday excluding public holidays in England and Wales). The Capita Share Dealing Services allows you to deal in the shares of other companies for which Capita Asset Services 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 account provided by Fidelity International, you will receive a report every six months detailing all of your transactions and the value of your shares.

Shareholder Information continued

Managers and Advisors

Alternative Investment Fund Manager

(AIFM/the Manager)
FIL Investment Services (UK) Limited
Oakhill House
130 Tonbridge Road
Hildenborough
Tonbridge
Kent
TN11 9DZ

Portfolio Manager, Secretary and Registered Office

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

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Lawyer

Charles Russell Speechlys LLP
5 Fleet Street
London
EC4M 7RD

Banker and Custodian

JPMorgan Chase Bank (London Branch)
125 London Wall
London
EC2Y 5AJ

Depository

J.P. Morgan Europe Limited
25 Bank Street
London
E14 5JP

Financial Adviser and Stockbroker

Canaccord Genuity Ltd
88 Wood Street
London
EC4V 7QR

Registrar

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Company Information

The Company was launched on 15 March 1994 with one warrant attached to every five shares. The original subscription price was £1 for each ordinary share of 25 pence each. On 11 November 2009, the Company issued subscription shares on a 1 for 5 basis and these were all exercised by 28 February 2014. The Company made another subscription shares issue on 26 August 2014 on a 1 for 5 basis and these were all exercised by 29 April 2016.

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 share price of the Company is published daily in the Financial Times under the heading "Investment Companies". The share price is also published in The Times and The Daily Telegraph and is also available at www.fidelityinvestmenttrusts.com.

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

NAV Information

The Company's net asset value of the Company is calculated on a daily basis and released to the London Stock Exchange on a daily basis.

Glossary of Terms

AIF

Alternative Investment Fund. The Company is an AIF.

AIFM

Alternative Investment Fund Manager. The Board has appointed FIL Investment Services (UK) Limited to act as the Company's AIFM/the Manager.

AIFMD

The Alternative Investment Fund Managers Directive ("AIFMD") is a European Union Directive and was implemented on 22 July 2014.

Capital Gains Tax (CGT)

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

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 of the specified financial instrument. 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. A Company may reason that the asset price will rise, by buying ("long" position) or fall, by selling ("short" position). If a company trades long, dividends are received and interest is paid. If a company trades short, dividends are paid and interest is received. The Company only uses "long" contracts for difference.

Corporation Tax

The UK tax the Company may have to pay on its profits for a year. As an investment trust company, the Company is exempt from UK corporation tax on its capital gains and does not pay tax on any UK dividends. It can also offset expenses against any taxable income and consequently it is tax efficient and does not pay corporation tax.

Custodian

An entity that holds (as intermediary) the Company's assets, arranges the settlement of transactions and administers income, proxy voting and corporate actions. The Company's custodian is JPMorgan Chase Bank.

Depository

An entity that oversees the custody, cash arrangements and other AIFMD responsibilities of the Company. The Board has appointed J.P. Morgan Europe Limited to act as the Company's depository.

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 is 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 realisable 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; and
- Contracts for difference - 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 exposure and is usually expressed as a percentage of shareholders' funds. It reflects the amount of exposure the Company uses to invest in the market. It can be through the use of bank loans, bank overdrafts or contracts for difference, in order to increase a Company's exposure to investments. If assets rise in value, gearing magnifies the return to ordinary shareholders. Correspondingly, if assets fall in value, gearing magnifies that fall. Contracts for difference are used as a way of gaining exposure to the price movements of shares without buying the underlying shares directly.

Gearing Percentage

In a simple example, if the 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 percentage, the more sensitive the Company's shares will be to the movements up and down in the value of the investment portfolio.

Investment Manager

FIL Investments International acts as the Company's Investment Manager under delegation from FIL Investment Services (UK) Limited (the appointed AIFM).

Hedging

A strategy aimed at minimising or eliminating the risk or loss through adverse movements normally involving positions in a derivative such as a future or an option.

Leverage

Any method by which an AIFM increases the exposure of an AIF it manages whether through borrowing cash or securities, or leverage embedded in derivative positions or by any other means.

Glossary of Terms continued

Leverage is measured in terms of exposure and is expressed as a ratio of net asset value. There are two measures of calculated leverage:

- The Gross Method which does not reduce exposure for hedging; and
- The Commitment Method which reduces exposure for hedging.

Manager

FIL Investment Services (UK) Limited was appointed as the Manager in accordance with the Alternative Investment Fund Managers Directive (AIFMD), and has delegated the investment management of the Company to the Investment Manager.

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.

Net Asset Value per Ordinary Share – Undiluted

The net asset value divided by the number of ordinary shares in issue.

Net Asset Value per Ordinary Share – Diluted

The net asset value per ordinary share - undiluted adjusted to reflect what the net asset value per share would have been if all the rights attached to any outstanding subscription share in issue had been exercised. A dilution occurs when the exercise price of the subscription share rights is less than the net asset value per ordinary share - undiluted. The final date for exercising the rights to the subscription shares was 29 April 2016 and so there are no outstanding subscription shares.

Ongoing Charges

Total expenses (excluding finance costs and taxation) incurred by the Company as a percentage of daily average net asset values.

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% of the issued share capital of the company.

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.

Reference Index

Russell Nomura Mid/Small Cap Index (in sterling terms).

Registrar

An entity that manages the Company’s shareholders register. The Company’s registrar is Capita Asset Services.

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/(loss) on capital, excluding any revenue return/(loss); and
- **Total Return/(Loss)** reflects the aggregate of revenue and capital return/(loss) in the period.

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. The Company seeks the permission of shareholders to do so at its Annual General Meetings allowing it 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.

Topix

Also known as the Tokyo Stock Price Index, is a capitalisation-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange. The index is supplemented by the subindices of the 33 industry sectors.

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

Treasury Shares

Ordinary shares of the Company that have been repurchased by the Company and not cancelled but held in Treasury. These shares do not pay dividends, have no voting rights and are excluded from the net asset value per share calculation.

Alternative Investment Fund Manager's Disclosure

In compliance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Board appointed FIL Investment Services (UK) Limited ("FISL") (a Fidelity group company) as the Company's Alternative Investment Fund Manager ("AIFM"). FISL has delegated the portfolio management and company secretarial function to FIL Investments International ("FIL") (another Fidelity group company). Details of the Management Agreement can be found in the Directors' Report on page 23. The AIFM's Annual Report is available to shareholders on request. Please contact the Company Secretary whose address can be found on page 62.

The table below discloses information required by the Alternative Investment Fund Managers Regulations 2013.

Function	AIFM Role and Responsibility	AIFMD Disclosure
Investment management	<p>The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company. It has delegated this function to FIL.</p> <p>The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.</p>	<p>Details of the Company's investment objective, strategy and investment policy, including limits, are on page 12.</p>
Risk management	<p>In its capacity as AIFM, FISL has responsibility for risk management for the Company which is addition to the Board's corporate governance responsibility for risk management.</p> <p>The Company has a Risk Management Process Document which is agreed with the Board and demonstrates that risk management is separated functionally and hierarchically from operating units and demonstrates independence safeguards. The Manager maintains adequate risk management systems in order to identify, measure and monitor all risks at least annually under the AIFMD. The Manager is responsible for the implementation of various risk activities such as risk systems, risk profile, risk limits and testing.</p> <p>The Board, as part of UK corporate governance, remain responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.</p>	<p>The AIFM has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company and this is regularly reviewed by the Board. The Board remains responsible for the Company's system of internal control and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 13 to 15 and in Note 16 to the Financial Statements on pages 52 to 55.</p>
Valuation of illiquid assets	<p>The Directive requires the disclosure of the percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature. Further, any new arrangements for managing the liquidity of the Company must be disclosed.</p>	<p>Not Applicable.</p>
Leverage	<p>The Company uses leverage to increase its exposure to the stockmarkets of Japan and currently holds long Contracts For Difference to achieve this. The AIFM, in consultation with the Board, has set maximum levels of leverage that are reasonable. It has implemented systems to calculate and monitor compliance against these limits and has ensured that the limits have been complied with at all times.</p> <p>A definition of leverage is included in the Glossary of Terms on pages 63 and 64.</p>	<p>The maximum leverage limits are 1.80 for the Gross Method and 1.50 for the Commitment Method. There has been no change to the maximum level of leverage that the Company may employ during the year.</p> <p>At 31 December 2016, actual leverage was 1.25 for both the Gross Method and the Commitment Method.</p>
Liquidity management	<p>The AIFM, in consultation with the Board, maintains a liquidity management policy which is reviewed and updated, if required, at least annually.</p>	<p>No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 16 on page 53.</p>
Remuneration of the AIFM	<p>The AIFM operates under the terms of Fidelity's Global Remuneration Policy Statement. This ensures that the AIFM complies with the requirements of the FCA's Remuneration Code (SYSC19A); the AIFM Remuneration Code (SYSC19B) and the BIPRU Remuneration Code (SYSC19C).</p>	<p>Details of Fidelity International's Global Remuneration Policy can be found at www.fidelityinternational.com/global/remuneration/default.page</p>

EU Securities Financing Transactions Regulation ("SFTR")

The following disclosures relate to the long contracts for difference ("CFDs") held by the Company which may be considered Total Return Swaps under the SFTR, which came into force on 12 January 2016. CFDs were contracted bilaterally with UBS AG, London Branch ("UBS") and had an open maturity. At 31 December 2016 the fair value of CFDs was £4,195,000 (2.5% of net assets). Collateral of £5,349,000 was held by UBS in a segregated account on behalf of the Company. Collateral was held in UK Government bonds denominated in Sterling with a credit rating of Aa1 and maturing in over one year. The total return for the year ended 31 December 2016 from CFDs was £1,033,000.

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