Fidelity Japanese Values PLC

Annual Report for the year ended 31 December 2017

Company number 2885584

Contents

"The Board continues to be very focused on improving the future prospects of the Company, believing that this will make the Company more appealing to existing and potential investors. To this end, the Board has proposed a number of changes to the Company, including a change of Investment Policy, Reference Index and name.

The Board believes that these changes will be a better reflection of the opportunities available to the Portfolio Manager and should improve the marketability of the Company."

David Robins, Chairman

Objective and Performance

The 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 2017)

Net Asset Value ("NAV") per Ordinary Share Total Return	Ordinary Share Price Total Return	Russell Nomura Mid/Small Cap Index Total Return (in sterling terms)*
+34.1%	**+49.3%**	**+17.5%**
(2016: +20.5%)	**(2016: +17.0%)**	**(2016: +22.0%)**

* The Company's Reference Index

As at 31 December 2017

Shareholders' Funds	**£222.5m**
Market Capitalisation	**£205.4m**
Capital Structure: Ordinary shares of 25 pence each held outside Treasury	**135,606,695**

Financial Summary

	2017	2016
Assets at 31 December		
Total portfolio exposure[1]	**£264.1m**	£206.9m
Shareholders' funds	**£222.5m**	£166.4m
Total portfolio exposure in excess of shareholders' funds (Gearing - see Note 17 on page 57)	**18.7%**	24.3%
NAV per ordinary share	**164.10p**	122.37p
Stockmarket data at 31 December		
Russell Nomura Mid/Small Cap Index (in sterling terms)	**3.8756**	3.2992
Yen/£ exchange rate	**152.387**	144.120
Ordinary share price at the year end	**151.50p**	101.50p
year high	**151.50p**	107.00p
year low	**101.50p**	70.50p
Discount at the year end	**7.7%**	17.1%
year high	**18.6%**	22.1%
year low	**6.2%**	8.8%
Total returns for the year to 31 December		
NAV per ordinary share	**+34.1%**	+20.5%
Ordinary share price	**+49.3%**	+17.0%
Russell Nomura Mid/Small Cap Index (in sterling terms)	**+17.5%**	+22.0%
Results for the year to 31 December - see page 42		
Revenue (loss)/return per ordinary share	**(0.22p)**	0.07p
Capital return per ordinary share	**41.88p**	24.56p
Total return per ordinary share	**41.66p**	24.63p
Ongoing charges for the year to 31 December[2]	**1.31%**	1.46%

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

2 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 2017.

David Robins
Chairman

The Board continues to be very focused on improving the future prospects of the Company, believing that this will make the Company more appealing to existing and potential investors. To this end, the Board has proposed a number of changes to the Company, including a change of Investment Policy, Reference Index and name. These are detailed below.

Performance Review
I'm delighted to be able to report that the Company had an excellent year in 2017. Over the 12 months to 31 December 2017, the Company's net asset value ("NAV") rose by 34.1% to 164.10p per share, almost double the performance of the Russell Nomura Mid/Small Cap Index, which gained by 17.5% in sterling terms. The share price rose even more strongly by 49.3% to 151.50p, and as a result the Company's share discount to NAV narrowed to 7.7% from 17.1% a year ago.

Japanese equities rose strongly over the year, backed by upbeat corporate earnings results, easing political concerns and a steady flow of positive economic data. Prime Minister Shinzo Abe's landslide victory in the snap general election held in late October provided further momentum. There were periods of diminished appetite for equities owing to North Korea's ballistic missile launches and accompanying political rhetoric, as well as uncertainty regarding the Trump administration's ability to push through the President's policy agenda in the US, but these proved to be temporary. While the yen depreciated against sterling by almost 6% over the calendar year, the very strong performance of the Japanese market meant that overall gains in sterling terms remained robust.

Due Diligence visit to Hong Kong and Tokyo
The Board undertook its annual due diligence trip to Hong Kong and Tokyo in October 2017. While in Hong Kong the Board had the opportunity to meet with Fidelity's Derivatives, Investment Compliance and Trading teams in order both to meet the relevant people and to better understand the processes and interaction of these teams with Nicholas Price, the Company's Portfolio Manager, and the analysts in Tokyo. The Board attended a number of company visits while in Japan where the Directors were able to observe Nicholas and the analysts in action as they challenged management teams.

The Board and Nicholas meeting with Tokyo Base, a high-end fashion retailer providing clothing, personal items as well as miscellaneous goods for men and women.

While in Tokyo the Board also had the opportunity to discuss the Company's performance and future prospects, and whether the objective of the Company, its Reference Index, its peer group and indeed even its name remained appropriate. The objective of the Company is currently 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. Since his appointment in 2015, Nicholas has also been finding attractive investment opportunities both in smaller and micro-cap stocks and in large and mega-cap stocks. The Company's portfolio therefore now has a greater exposure to these areas with a marked decrease in exposure to medium sized companies. This reflects both the areas of the market where Nicholas finds opportunities and his personal investment expertise and style, which are likely to continue to favour a relatively greater exposure to micro, small and large cap stocks.

With this in mind, the Board has determined the following:

Proposed Changes to the Objective and Investment Policy
Nicholas's bias towards smaller companies as a fertile hunting ground for stock picking means that he is operating within the current stated objective. However, amending the objective to reflect a greater weighting to micro, small and large cap stocks would be a fairer reflection of the approach Nicholas recommends following in the future and would refocus the objective more appropriately. It would also allow him greater flexibility to move between different market capitalisation segments as opportunities arise. Changes to the investment policy are being proposed in order to reflect that greater flexibility and to clarify the policy.

The Board believes that this broader objective and investment policy would also increase the universe of potential investors in the Company and would therefore increase the Company's marketability and its prospects for growth.

In addition, the Board and Nicholas are of the opinion that increasing the limit on the percentage of the Company's assets that may be invested in securities which are not listed at the time of acquisition will provide useful additional flexibility to the Portfolio Manager in his initial stock selections. The Board is therefore proposing to increase that limit from 5% to 10%.

The proposed changes to the objective and investment policy are set out in more detail in the Circular to shareholders dated 10 April 2018 accompanying this Annual Report. A resolution to amend the investment policy will be proposed at the Annual General Meeting ("AGM") on 22 May 2018, as set out in the Circular, which includes the Board's recommendation to vote in favour.

Summary of the Key Aspects of the Proposed Investment Policy

The proposed investment policy is set out in full in Part II A of the Circular accompanying this Annual Report. In light of recent regulatory developments and a drive for greater transparency and clarity in respect of financial products, the key aspects of the proposed investment policy can be summarised as follows:

The Investment Manager will typically focus on those companies primarily listed on Japanese stock exchanges whose growth prospects are not fully recognised by the market ("growth at a reasonable price"). The Investment Manager is not restricted in terms of size or industry of the underlying entities in which it invests. The Company may also hold cash or invest in cash equivalents including money market instruments, and is able to use derivatives for efficient portfolio management, gearing and investment purposes. The Investment Manager must work within the guidelines set out in the investment policy.

Related Changes
As also stated in the Circular to shareholders dated 10 April 2018 accompanying this Annual Report, the Board has decided that even under the existing objective and investment policy, certain related changes will be made to better reflect the investment focus of the Company. These changes are not subject to shareholder approval and will take place regardless of whether shareholders approve the change in investment policy.

Change of Name
In light of Nicholas's focus on picking stocks with growth at a reasonable price, the Board believes that the Company's name should be modified. The Board has therefore determined that the Company's name be changed to Fidelity Japan Trust PLC to reflect both this and the changes noted above. The Company will, however, retain its existing ticker, SEDOL and ISIN. The change of name will become effective following the requisite statutory filings, which will be completed as soon as practicable following the AGM on 22 May 2018.

Change of Reference Index
The Board has considered a number of reference indices and after discussion has decided that the Company should move from using the Russell Nomura Mid/Small Cap Index to the TOPIX Index (Tokyo Stock Exchange TOPIX Total Return Index). This is the most widely used index representing the Japanese equity market and is also the most inclusive index in terms of constituents. The change of Reference Index will take effect from 22 May 2018.

Change of Peer Group
In light of the proposed change of objective and investment policy the Board has determined that with effect from 22 May 2018, the Company will move from the Association of Investment Companies ("AIC") Japan Smaller Companies peer group to the AIC Japan peer group.

The Board believes that these changes will be a better reflection of the opportunities available to the Portfolio Manager and should improve the marketability of the Company.

Management Fees
The Board would like to inform shareholders that, following Fidelity's announcement in October last year to offer its clients a variable management fee, the Board has negotiated a new fee agreement with the Manager. The new agreement reduces the headline management fee from 0.85% of **gross** assets to 0.70% of **net** assets per annum with a +/- 0.20% variation based on performance relative to the Reference Index. The change from using gross to net assets will lead to a significant reduction in the base fee taking into account the current level of gearing. The maximum fee that the Company will pay will be 0.90% of net assets, but if the Company underperforms against the Reference Index, the overall fee could fall as low as 0.50% of net assets. This new fee arrangement will be effective from 1 July 2018.

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 £264.1m, equating to gearing of 18.7% compared with 24.3% at the end of 2016. Further information can be found on page 13 of the Strategic Report.

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.

Ongoing Charges

The ongoing charge for the reporting year is 1.31%. This compares favourably with the previous year's figure of 1.46%. The AIC Japan Smaller Companies peer group average was 1.22% and the AIC Japan Peer Group was 0.84%. The Board expects that the Company's ongoing charge should continue to fall in light of the new fee arrangement.

Markets in Financial Instruments Directive ("MiFID II")

With effect from 3 January 2018, the MiFID II regulation changed the way that external investment research, traditionally provided by "sell-side" brokers, is paid for. Previously this research was paid for on a commission basis as part of the costs of transaction, but this is no longer allowed. Fidelity uses external investment research to access specific technical expertise for the benefit of the portfolio, and the Board is pleased to confirm that Fidelity has agreed to cover these costs under its existing management agreement rather than pass them onto investors. This represents an estimated ongoing saving to the Company of between 0.02% and 0.03% per annum which will be directly reflected in the NAV of the Company.

EU Product Regulation

The European Union's Packaged Retail and Insurance-based Investment Products ("PRIIPs") regulation, which came into force on 1 January 2018, is aimed at helping retail investors better understand and compare the key features, risks, rewards and costs of different products through a short Key Information Document ("KID"). While the Board welcomes transparency and the spirit in which this regulation was intended, it should be noted that the content of the KID, including methodologies for the calculation and presentation of risks, performance scenarios and costs is laid down by regulation, and does not necessarily reflect the views of the Board.

The forward-looking Performance Scenarios are based on degrees of variation from historic performance, and in our view, are potentially misleading and certainly cannot be guaranteed. The figures in the KID may not reflect the expected returns for the Company and are likely to be higher following periods of strong returns and lower following market falls. It should always be remembered that past *performance is not a guide to future performance.*

The Board

Further to the announcement made on 1 February 2018, Mami Mizutori has resigned from her position as a non-executive Director of the Company. Mami was appointed as Assistant Secretary-General and Special Representative of the Secretary-General for Disaster Risk Reduction, United Nations Office for Disaster Risk Reduction (UNISDR) on 31 January 2018 and as a result has had to relinquish all external directorships. I would like to take this opportunity to thank Mami for her contribution to the Board and wish her the very best in carrying out her new, important role. The Board has begun the process of recruiting a new non-executive Director to replace her.

In common with our practice in recent years, all current Directors are subject to annual re-election and their biographical details are included on page 23 to assist shareholders when considering their voting at this year's AGM.

Share Repurchases and Treasury Shares

During the reporting year, 375,000 ordinary shares were repurchased for holding in Treasury. Since the year end, and as at the date of this report, no further ordinary shares have been repurchased for cancellation or holding in Treasury.

Annual General Meeting

The AGM of the Company will be held at 4.00pm on 22 May 2018 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 in the Circular to shareholders dated 10 April 2018 accompanying this Annual Report which includes the Notice of Meeting in Part IV.

The AGM 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

The upbeat global economic outlook, along with the supportive domestic policy environment, should help Japanese companies to post another year of robust profits. The US tax reform legislation enacted in late 2017 could also provide a boost to Japanese companies that are heavily geared to the US market.

However, at this mature stage of the cycle, increases in interest rates may lead to periods of heightened market volatility and share price reversals, as we saw in early 2018. In addition, the market may suffer further setbacks as a result of rising tension on the Korean peninsula, uncertainty over the future of Prime Minister Abe, increasing protectionism instigated by the US and bouts of yen strength.

Nevertheless, such corrections are expected to be short term, assuming that there is no change in the underlying trend of economic and earnings growth.

David Robins
Chairman
29 March 2018

Portfolio Manager's Review

Nicholas Price has been the Company's Portfolio Manager since *1 September 2015. He is an* experienced investor with over 23 years in the Japanese equity market.

Market Review

The Japanese economy continued to grow at a rate well above its long term average. Indicators of manufacturing activity remained at an elevated level. Earnings momentum was exceptionally strong and corporate profits reached a record high in the first half of fiscal 2017 (April to September). While currency factors may have helped export-oriented companies, higher top-line growth and improved profitability were the key drivers supporting corporate earnings. As a result, the number of companies delivering higher returns on equity increased. At the same time, stronger earnings helped to lift business confidence and support growth in investment.

The Bank of Japan ("BoJ") continued to support equity markets through the purchase of exchange traded funds ("ETFs"), maintaining its annual target of around ¥6 trillion (£40 billion). Trading activity by overseas investors was relatively volatile over the year, with the bulk of the net buying coming after the decision to hold a snap election was announced in mid-September. While corporates were active buyers through share buybacks, individual investors sold into strength and were the year's biggest net sellers, resulting in a further decline in the Japanese savings ratio.

Global cyclicals and commodity related stocks led the market advance in 2017, with companies that generate a significant portion of their revenues in Asia, particularly China, delivering the strongest returns. The factory automation, semiconductor and machinery industries accounted for some of the best performing names. Small caps outperformed larger companies, led by those with attractive growth prospects. Conversely, expensive defensive sectors were relative laggards, and large cap value names were out of favour for much of the year.

Performance Review

As noted in the Chairman's Statement, the Company's NAV per share increased from 122.37p to 164.10p during the year under review, and significantly outperformed the Reference Index. As demonstrated by the attribution analysis below, the strong uptrend in the Japanese equity market made a material contribution of 23.1% to the increase in the Company's NAV. The Portfolio Manager's decisions on stock selection and gearing also contributed to the growth in the Company's NAV. Conversely, the depreciation of the yen against the pound, particularly during the second half of the year, produced a negative exchange rate effect.

The attribution analysis below shows how the increase in NAV has been achieved.

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

Impact of:	
Reference Index (in yen terms)	+23.1%
Reference Index income (in yen terms)	+2.3%
Stock selection (relative to the Index)	+11.9%
Gearing (yen)	+6.1%
Exchange rate	-7.8%
Expenses	-1.5%
NAV total return for the year to 31 December 2017	**+34.1%**

Over the year, key holdings in the services, retail and machinery sectors were the principal drivers of the Company's absolute returns. The large active holdings in services companies Recruit Holdings and M3 made material contributions to returns. Speciality retailers Ryohin Keikaku and Nojima also added significant value, as did high quality and niche manufacturers such as Keyence and Shima Seiki Manufacturing. Meanwhile, the underweight stance in low growth defensive sectors, such as utilities and land transportation, as well as banks, continued to pay off.

Conversely, holdings in consumer related companies that experienced a deceleration in earnings growth detracted most heavily from returns. Yonex and Zojirushi are notable examples. Not holding certain materials and commodity related names that benefited from a pick-up in the global economic cycle also constrained returns.

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

Recruit Holdings is the largest media, classified jobs and staffing agency in Japan, with a growing global presence through the acquisitions of Indeed in the US and USG People in the Netherlands. The holding was added at the start of the year and contributed materially to performance, particularly during the second half of 2017, when its earnings results underscored the strength of its underlying businesses. Indeed sustained very strong growth, supported by rising numbers of users and improved pricing, while Recruit's domestic staffing operations benefited from the increasingly tight employment conditions in Japan. As the stock continued to appreciate, the Portfolio Manager actively reduced the position in order to bring fresh ideas with more attractive upside into the portfolio.

Kotobuki Spirits is a relatively under-researched confectionery company that produces novelty high quality Japanese sweets and cakes that are distributed across the country for sale as souvenirs to domestic and inbound tourists. The firm's interim results for the year to March 2017 underscored its ability to maintain earnings growth momentum. Rising demand for its confectionery products drove top-line growth, while price increases and improved capacity utilisation enhanced its profitability. We expect the expansion of the souvenir market in Japan, amid a continued increase in foreign visitors which rose to 28.7 million in 2017 from 8.4 million in 2012, to support the company's growth over the mid to long term.

Nojima is an under-researched, small cap company that operates a chain of consumer electronics stores predominantly in Kanagawa prefecture. Recent acquisitions have helped it to expand its operations to include cell phone distribution and broadband services. The introduction of support services, including PC and smartphone use for elderly customers, combined with price increases and an enhanced product mix have contributed to a sharp improvement in profitability. The company's efforts to bring down costs, including office relocation and reduced outsourcing, have also been effective. Given Nojima's good earnings visibility and relatively cheap valuation, it remains a key holding in the retail sector.

Ryohin Keikaku operates the MUJI brand of general merchandise stores and is one of Japan's fastest growing speciality retailers. Its strong brand positioning and core product offering support the stability of its domestic business, and are the key factors behind the company's successful expansion overseas, particularly in East Asia. Its domestic operations continued to perform well, driven by higher sales, especially of high-margin apparel, and cost reductions. This helped to offset the negative effects of unfavourable currency movements on earnings generated overseas. Business remains brisk in Japan and China, and the company's mid term growth prospects are supported by its brand power and strategic product line up.

Portfolio Manager's Review continued

Keyence is a leading producer of sensors and measuring instruments used in factory automation ("FA") globally. As increasingly data intensive manufacturing processes drive demand for sensors and vision systems, its highly profitable and consulting-based business model is well placed to deliver sustainable earnings growth. The company delivered very strong numbers in terms of both top-line growth and profitability, and continued to gain market share in Japan and overseas. Moreover, the need for labour intensive industries to introduce robots and FA is a long term driver for the company. With its large net cash balance, the Portfolio Manager sees the potential for the company to make strategic acquisitions and thereby improve shareholder returns.

Principal Detractors

Yonex is a world leader in badminton, tennis and golf equipment. The stock performed well in 2016 and ranked among the top five contributors to the Company's performance relative to the Reference Index over the year. In 2017, however, the market reacted adversely to a slowdown in its rate of earnings growth, which stemmed from higher marketing costs in China, a key growth market for the company. In October, Yonex lowered its full-year guidance to reflect costs associated with a new manufacturing plant and the disruption from moving to a direct-sales model in China. The holding in the stock was reduced considering the deceleration in earnings growth. However, Yonex remains well positioned to benefit over the mid term from growth in the Asian badminton market and rising demand for midrange products as average income levels increase. As a result, a reduced holding remains in the portfolio.

Zojirushi is a leading manufacturer of high-end rice cookers and thermos flasks. Intensifying competition in the domestic rice cooker industry drove down average sales prices and saw the company lose market share to new, low-cost entrants. Successive earnings results underscored a sharp decline in rice cooker revenues and the holding in the stock was reduced as a result. While its overseas business, centred on China, continued to perform well, the profitability of its domestic rice cooker business remained at risk given the difficult challenge of balancing pricing and market share. As a result, the position in the stock was sold out over the course of the year.

Nissan Chemical Industries is a leading producer of basic and advanced chemical products, as well as agrochemicals and veterinary pharmaceuticals. The stock was the standout contributor to the Company's performance relative to the Reference Index in 2016. Its shares rallied on high growth expectations for its animal drug operations and the solid performance of its liquid crystal display ("LCD") materials business. However, its shares succumbed to profit taking in early 2017, as the market judged that its growth prospects were fully priced in. Given that further potential upside appeared limited, the holding in the company was sold.

ASICS is a popular Japanese sports brand that is best known for its high-performance running shoes. The company generated weaker than expected top-line growth in its core US and European markets, where increased competition and a shift in consumer preference from performance to casual shoes meant that it lost shelf space at major retailers. ASICS will need time to build up its fashion oriented brand and for recognition to gain traction. At the same time, rising marketing costs associated with a switch to directly operated stores are putting pressure on its margins. Given these factors and the lack of recovery in key markets, the stock was sold.

Shares in **Murata Manufacturing**, a global leader in the production of ceramic capacitors, faced selling pressure after it downgraded its full-year earnings guidance towards the end of the year. The downward revision reflected higher manufacturing costs related to MetroCirc (mouldable circuit boards used in smartphones) and the ramp-up of new products, as well as weaker than expected sales of smartphones in China. However, the stock offers an attractive risk/reward balance given that the increasing sophistication of smartphones and the secular growth of automobile electrification are expected to drive demand for passive components over the mid to long term. As a result, a reduced holding remains in the portfolio.

Principal contributors to relative returns	Sector	Relative average weight (%)	Contribution to relative returns (%)
Recruit Holdings*	Services	+4.0	+1.7
Kotobuki Spirits	Foods	+2.1	+1.7
Nojima	Retail Trade	+1.9	+1.3
Ryohin Keikaku	Retail Trade	+3.9	+1.2
Keyence*	Electrical Appliances	+3.7	+1.2

* Indicates a consolidated position of shares and CFDs

Principal detractors from relative returns	Sector	Relative average weight (%)	Contribution to relative returns (%)
Yonex	Other Products	+2.4	-2.5
Zojirushi**	Electrical Appliances	+1.7	-1.4
Nissan Chemical Industries**	Chemicals	+0.6	-0.7
ASICS**	Other Products	+0.8	-0.7
Murata Manufacturing	Electrical Appliances	+1.0	-0.5

** These positions are no longer held in the Portfolio

Portfolio Manager's Review continued

Portfolio Review

The following tables show the key stock positions versus the Russell Nomura Mid/Small Cap Index for the reporting year and the prior year.

Top Ten Positions as at 31 December 2017	Sector	Portfolio Exposure %	Index Weight %	Active Weight %
M3	Services	6.0	0.1	5.9
Daikin Industries	Machinery	4.9	–	4.9
Makita	Machinery	4.8	0.5	4.3
Yamaha	Other Products	4.3	0.2	4.1
Sysmex Corporation	Electrical Appliances	3.8	0.4	3.4
Ryohin Keikaku	Retail Trade	3.3	0.4	2.9
MISUMI Group	Wholesale Trade	3.3	0.3	3.0
Keyence	Electrical Appliances	3.1	–	3.1
Dai-ichi Life Holdings	Insurance	3.1	–	3.1
Toshiba	Electrical Appliances	3.0	0.5	2.5
		39.6	**2.4**	**37.2**

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
		44.2	**1.3**	**42.9**

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 39.6% of total net assets at the end of the year and the active share remains high, indicating a minimal overlap with the Reference Index.

During the year, positions in globally competitive companies closely tied to secular growth trends, such as automation and med-tech, were purchased. Examples include robotics maker Fanuc, FA sensor manufacturer Keyence and FA component distributor MISUMI Group. The Portfolio Manager also added further weight to holdings in medical related names M3 and Sysmex. Amid the upturn in interest rates, positions in financials, particularly global banks and insurance companies, were selectively increased.

Among smaller companies, a holding was bought in UT Group, one of the largest providers of labour outsourcing services for the industrial sector.

Conversely, positions in consumer related stocks where earnings growth had fallen below the Portfolio Manager's expectations were sold, such as Zojirushi and ASICS. Holdings in outperformers, such as confectionery company Morinaga & Co and automaker Suzuki Motor, were sold or reduced in order to bring fresh investment ideas into the portfolio.

Outlook

Labour markets are at the tightest level in several decades and participation rates among women and also seniors over 65 have risen sharply. The number of people in employment is now close to the record high of 65.8 million set in 1997, which is helping to mitigate the impact of changing demographics. Meanwhile, foreign visitors are coming to Japan in record numbers (28.7 million in 2017 versus 8.4 million in 2012 prior to the advent of Abenomics) and are on course to reach the government's target of 40 million by 2020, the year of the Tokyo Olympics. All of these factors have positive implications for the domestic economy, through higher total employment income, stronger consumer confidence and ultimately consumption.

In terms of corporate fundamentals and valuations, Japanese stocks are relatively cheap globally and the earnings environment is positive. This suggests a reasonable level of upside for the market in 2018. Although Japanese stocks have performed strongly in recent years, the market has been driven predominantly by growth in corporate earnings rather than by an expansion in valuation multiples, as has been the case in other developed markets such as the US. As corporate Japan continues to make progress with governance reforms and enhancing shareholder value, returns on equity could approach similar levels to those seen in Europe.

The key risks are policy missteps by major central banks; the re-emergence of trade protectionism, particularly in the US; a faster than expected slowdown in China; and geopolitical tensions. While inflation remains subdued in Japan, speculation that the BoJ may change its policy could lead to periods of yen appreciation, which would negatively impact the performance of Japanese stocks. However, the Japanese economy is experiencing its longest period of growth in more than a decade and the policy mix remains accommodative. Corporate profits are at record highs and companies are increasing their capital spending. Given this environment and the relatively undemanding valuations in Japan, we believe there are still attractive investment opportunities in the equity market.

Nicholas Price
Portfolio Manager
Fidelity International
29 March 2018

Strategic Report

The Directors have pleasure in presenting the Strategic Report of the Company. The Chairman's Statement and Portfolio Manager's Review on pages 3 to 11 also 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

As mentioned in the Chairman's Statement and set out in more detail in the Circular to Shareholders dated 10 April 2018 accompanying this Annual Report, the Board is proposing to change the Company's objective in order to reflect a greater weighting to micro, small and large cap stocks. This will better reflect the approach the Portfolio Manager recommends following in the future and will, therefore, refocus the objective more appropriately.

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 the portfolio 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 certain 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 cyclicality of the markets, expects that the Company's returns to shareholders will vary from year to year.

The Company's objective and strategy were unchanged throughout the year ended 31 December 2017.

Investment Policy

As mentioned in the Chairman's Statement and in the letter accompanying this Annual Report, the Board is seeking shareholder approval to change the Company's investment policy in order to reflect the changes proposed to the objective, to increase the limit on the percentage of the Company's assets that may be invested in securities which are not listed at the time of acquisition from 5% to 10%, and make certain clarificatory changes to the current 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. These guidelines and their impact are monitored on a daily basis and reported regularly to the Board:

- 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.

The above investment restrictions will remain unchanged under the proposed changes with the exception of the limit in the percentage of the Company's assets invested in securities which are not listed at the time of acquisition increasing from 5% to 10%, and other clarificatory changes.

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 Portfolio Manager has discretion to be up to 25% geared. The level of gearing is reviewed regularly by the Board and the Portfolio Manager. At the year end the Company was 18.7% geared (2016: 24.3%).

Investment Management Philosophy, Style and Process

The Portfolio Manager follows a consistent "growth at reasonable price" investment approach, utilising Fidelity's local research capability, as well as the broader global research network. His approach is anchored in the belief that a rigorous, bottom-up approach to active management can identify companies where the market is underestimating or mis-pricing future growth potential.

Performance

The Company's performance for the year ended 31 December 2017, 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, Distribution of the Portfolio, Ten Year Record and Summary of Performance Charts are on pages 17 to 22.

Results

The Company's results for the year ended 31 December 2017 are set out in the Income Statement on page 42. The total return per ordinary share was 41.66 pence of which the revenue loss was 0.22 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 in the next column.

	Year ended 31 December 2017 %	Year ended 31 December 2016 %
NAV per ordinary share[1]	**+34.1**	+20.5
Share Price[1]	**+49.3**	+17.0
Russell Nomura Mid/Small Cap Index (in sterling terms)[1]	**+17.5**	+22.0
Discount to NAV	**7.7**	17.1
Ongoing Charges	**1.31**	1.46

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. This was the case when the Board negotiated a new variable management fee with the Manager as detailed in the Chariman's Statement on page 4. In addition, external investment research costs will be paid by Fidelity rather than passing these onto investors.

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 21 and 22 provides this information.

Principal Risks and Uncertainties and Risk Management

As required by provision C.2.1 of the 2016 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 Alternative Investment Fund Manager (FIL Investment Services (UK) Limited/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 Manager also has responsibility for risk management for the Company. It works with the Board to identify and manage the principal risks and uncertainties and to ensure that the Board can continue to meet its UK corporate governance obligations.

The principal risks and uncertainties faced by the Company and considered by the Board are disclosed on the following page. An additional geopolitical risk has been included this year. There have been no other changes from the prior year.

Strategic Report continued

Principal Risks	Description and Risk Mitigation
Market risk	The Company's assets consist mainly of listed securities and the principal risks are therefore market related such as market downturn, interest rate movements and exchange rate movements. The Portfolio Manager's success or failure to protect and increase the Company's assets against this background is core to the Company's continued success. 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 53 to 56 together with summaries of the policies for managing these risks.
Performance risk	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 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/reward profile. The emphasis is on long term results as the Company risks volatility of performance in the shorter term. As noted in the Chairman's Statement, the Board is proposing to change the Company's objective and investment policy, the Company's name, the Reference Index and the peer group, to be a fairer reflection of the approach the Portfolio Manager recommends following in future and would refocus the objective more appropriately. It will also allow the Portfolio Manager greater flexibility to move between different market capitalisation segments as opportunities arise.
Geopolitical risk	The Company may be impacted by geopolitical risks, including the risk of military escalation in relation to North Korea and the re-emergence of trade protectionism.
Discount control risk	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.
Gearing risk	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.
Currency risk	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 sterling. Consequently, it is subject to currency risk on exchange rate movements between yen and 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 53 to 56.

Other risks facing the Company include:

Cybercrime Risk

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.

Tax and Regulatory Risks

A breach of Section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status resulting in the Company being subject to tax on capital gains.

The Company may be impacted by changes in legislation, taxation or regulation. These are monitored at each Board meeting and managed through active engagement with regulators and trade bodies by the Manager.

Operational Risks

The Company relies on a number of third party service providers, principally the Manager, Registrar, Custodian and Depositary. 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 on an annual basis and any concerns are investigated.

Continuation Vote

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 of the Company's NAV and share price is poor. At the Company's AGM held on 24 May 2016, 99.49% of shareholders voted in favour of the continuation of the Company. The next continuation vote will take place at the AGM in 2019.

Viability Statement

In accordance with provision C.2.2 of the 2016 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. The Company is also subject to a continuation vote every three years and the next vote will take place at the AGM in 2019.

In making an assessment on the viability of the Company, 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 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.

In addition, the Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern Statement in the Directors' Report on page 24.

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 2017, there were four male Directors and one female Director on the Board.

Following Mami Mizutori's resignation on 1 February 2018, the Board has engaged Fletcher Jones Ltd to assist in the recruitment of a new independent non-executive Director.

Employee, Social, Community and Human Rights 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.

The Fidelity group of companies (including the Manager, FIL Investment Services (UK) Limited and FIL Investment International) encourages Environmental, Social and Governance ("ESG") factors 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 company, the Company does not provide goods and services in the normal course of business and has no customers. Accordingly, the Board considers that the Company is not within the scope of the Modern Slavery Act 2015.

Criminal Finances Act 2017

The Board has considered the recent changes made by the Criminal Finances Act 2017 which introduced a new corporate criminal offence of failing to take reasonable steps to prevent the facilitation of tax evasion. The Company maintains a zero tolerance policy towards the provision of illegal services, including the facilitation of tax evasion.

Greenhouse Gas Emissions

As an investment trust, the Company's own direct environmental impact is minimal. 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.

Bribery Act 2010

The Company is committed to carrying out business fairly, honestly and openly. The Board recognises the benefits this has for reputation and business confidence. The Board has reviewed the implications of the Bribery Act 2010 and confirms its zero tolerance to bribery and corruption in its business activities.

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

Strategic Report continued

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 also common to many investment companies together with the impact of regulatory change. The factors likely to affect the Company's 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
29 March 2018

Portfolio Listing

as at 31 December 2017

The Portfolio Exposures shown below measure exposure to market price movements as a result of owning shares and derivative instruments. The Balance Sheet Value is the actual value of the portfolio on the Balance Sheet. Where a contract for difference ("CFD") is held, the Balance Sheet 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.

	Portfolio Exposure		Balance Sheet Value
Long Exposures – shares unless otherwise stated	**£'000**	**%[1]**	**£'000**
M3 (shares and long CFD) Provider of medical related internet services	13,411	6.0	3,612
Daikin Industries Air conditioning equipment manufacturer	10,992	4.9	10,992
Makita (shares and long CFD) Manufacturer of lithium-ion battery power tools	10,634	4.8	3,819
Yamaha Musical instrument and audio equipment maker	9,635	4.3	9,635
Sysmex Corporation (shares and long CFD) Producer of clinical laboratory testing equipment	8,498	3.8	4,004
Ryohin Keikaku Operator of the MUJI brand of general merchandise stores	7,345	3.3	7,345
MISUMI Group Distributor of precision machinery parts	7,269	3.3	7,269
Keyence (shares and long CFD) Maker of factory automation-related sensors	6,954	3.1	4,795
Dai-ichi Life Holdings One of the largest life insurance companies in Japan	6,832	3.1	6,832
Toshiba (shares and long CFD) Diversified industrial electronics manufacturer	6,653	3.0	3,703
Ten largest long exposures (2016: 44.2%)	**88,223**	39.6	62,006
Other long exposures			
Nippon Shinyaku	6,607	3.0	6,607
Fanuc	6,283	2.8	6,283
Kotobuki Spirits	5,709	2.6	5,709
Asahi Intecc	5,287	2.4	5,287
Yamaha Motor (long CFD)	4,906	2.2	146
Nojima	4,736	2.1	4,736
Eiken Chemical	4,604	2.1	4,604
Shima Seiki Manufacturing	4,591	2.1	4,591
UT Group	4,106	1.8	4,106
SoftBank (long CFD)	3,826	1.7	(242)
Shinoken Group	3,789	1.7	3,789
SBI Holdings	3,663	1.6	3,663
Rinnai	3,593	1.6	3,593
Yume No Machi Souzou Linkai	3,580	1.6	3,580
Start Today	3,537	1.6	3,537
Optex Group	3,521	1.6	3,521
Kose	3,494	1.6	3,494
Bridgestone	3,411	1.5	3,411
Aska Pharmaceutical	3,405	1.5	3,405

Portfolio Listing continued

Long Exposures – shares unless otherwise stated	Portfolio Exposure £'000	%[1]	Balance Sheet Value £'000
Sakata INX Corporation	3,391	1.5	3,391
Nihon Flush	3,350	1.5	3,350
Recruit Holdings (shares and long CFD)	3,341	1.5	1,654
Murata Manufacturing	3,323	1.5	3,323
Suzuki Motor	3,272	1.5	3,272
Eizo Corporation	3,260	1.5	3,260
Nintendo (shares and long CFD)	3,243	1.5	1,630
Shimadzu	3,217	1.4	3,217
Nihon M&A Center (long CFD)	3,206	1.4	(107)
JustSystems	3,144	1.4	3,144
Tokyo Base	3,098	1.4	3,098
Open House	2,758	1.2	2,758
Toshiba Machine	2,631	1.2	2,631
Shimano	2,627	1.2	2,627
NITTA Corporation	2,488	1.1	2,488
Relo Group	2,377	1.1	2,377
TV Asahi	2,363	1.1	2,363
Nissei ASB Machine	2,154	1.0	2,154
Okamoto Industries	2,081	0.9	2,081
Seika	1,967	0.9	1,967
Yonex	1,882	0.8	1,882
SMS	1,828	0.8	1,828
Mitsubishi UFJ Financial	1,773	0.8	1,773
Tosho	1,605	0.7	1,605
Freund	1,593	0.7	1,593
Piolax	1,521	0.7	1,521
Fujimi	1,464	0.7	1,464
Sagami Rubber Industries	1,282	0.6	1,282
Komatsu	1,168	0.5	1,168
Apaman	1,154	0.5	1,154
Hosokawa Micron	1,104	0.5	1,104
Hirano Tecseed	1,099	0.5	1,099
Aruhi	1,094	0.5	1,094
Mitsubishi Pencil	1,088	0.5	1,088
Central Japan Railway	1,085	0.5	1,085
Medical Data Vision	1,072	0.5	1,072
Taikisha	970	0.4	970
IBJ	927	0.4	927
Raksul (unlisted)	906	0.4	906
Fuji Corporation	842	0.4	842
OUTSOURCING Inc.	824	0.4	824
Fumakilla	818	0.4	818
Itokuro	798	0.4	798

Long Exposures – shares unless otherwise stated	Portfolio Exposure £'000	%[1]	Balance Sheet Value £'000
Pressance	783	0.4	783
Fuso Chemical	718	0.3	718
Studio Atao	718	0.3	718
Tayca	709	0.3	709
Japan Material	703	0.3	703
Miroku Jyoho Service	679	0.3	679
Sumitomo Metal Mining	601	0.3	601
Inoue Kinzoku Kogyo	579	0.3	579
Designone Japan	490	0.2	490
Trancom	477	0.2	477
Punch Industry	445	0.2	445
Kuriyama Holdings	411	0.2	411
Central Automotive Products	282	0.1	282
Baycurrent Consulting	217	0.1	217
Hokkaido Chuo Bus	118	0.1	118
Computer Engineering & Consultancy	54	0.0	54
Linkbal	53	0.0	53
Nitori Holdings	21	0.0	21
Total Portfolio Exposure[2]	**264,117**	**118.7**	
Total Portfolio Fair Value[3]			**222,459**
Net current assets excluding derivative instruments[4]			68
Shareholders' Funds (per the Balance Sheet on page 44)			**222,527**

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

2 Total Portfolio Exposure comprises market exposure to investments of £221,792,000 (per Note 9: Investments on page 49) plus market exposure to long CFDs of £42,325,000 (per Note 10: Derivative instruments on page 50)

3 Total Portfolio Fair Value comprises investments in shares of £221,792,000 plus derivative assets of £1,123,000 less derivative liabilities of £456,000 (per the Balance Sheet on page 44)

4 Net current assets excluding derivative instruments comprise debtors of £652,000 plus cash at bank of £908,000, less other creditors of £1,492,000 (per the Balance Sheet on page 44)

Distribution of the Portfolio

as at 31 December 2017

Sector	Portfolio Exposure 2017 %[1]	2016 %[1]
Services	**15.6**	10.5
Machinery	**13.4**	11.9
Electrical Appliances	**13.0**	15.2
Information & Communications	**10.9**	7.0
Retail Trade	**9.1**	9.3
Other Products	**8.6**	10.4
Wholesale Trade	**7.7**	1.4
Pharmaceuticals	**6.6**	9.2
Other Financing Business	**4.2**	2.6
Rubber Products	**4.2**	4.1
Chemicals	**4.1**	6.8
Precision Instruments	**3.8**	0.6
Real Estate	**3.8**	3.9
Insurance	**3.1**	1.1
Foods	**2.6**	3.4
Metal Products	**2.3**	4.7
Securities & Commodity Futures	**1.6**	0.1
Others	**1.2**	-
Banks	**0.8**	5.3
Glass & Ceramics	**0.7**	1.5
Land Transportation	**0.5**	-
Construction	**0.4**	0.1
Non-ferrous Metals	**0.3**	0.7
Warehousing & Harbour Transportation Services	**0.2**	-
Transport Equipment	**-**	12.6
Textiles and Apparel	**-**	1.5
Iron and Steel	**-**	0.4
Total Portfolio Exposure	**118.7**	124.3

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

Ten Year Record

Historical Record as at 31 December	**2017**	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total portfolio exposure (£m)[1]	**264**	207	135	114	105	70	77	79	68	75	79
Shareholders' funds (£m)	**223**	166[2]	116	93	90[3]	58	63	65	53	51	65
NAV per ordinary share (p) - undiluted	**164.10**	122.37	101.56	81.48	79.02	59.94	64.17	68.44	55.56	53.58	66.67
NAV per ordinary share (p) - diluted	**n/a**	122.37	99.08	n/a	n/a	59.91	62.79	66.21	55.47	n/a	n/a
Ordinary share price (p)	**151.50**	101.50	86.75	72.00	72.00	51.63	52.50	57.25	48.50	41.75	58.50
Subscription share price (p)	**n/a**	n/a	3.13	4.25	n/a	0.80	5.70	11.75	8.28	n/a	n/a
Discount to NAV % - undiluted	**7.7**	17.1	14.6	11.6	8.9	13.9	18.2	16.4	12.7	22.1	12.3
Discount to NAV % - diluted	**n/a**	17.1	12.4	n/a	n/a	12.8	16.4	13.5	12.6	n/a	n/a
Revenue (loss)/return per ordinary share (p)	**(0.22)**	0.07	(0.14)	(0.45)	(0.30)	(0.06)	0.02	(0.30)	(0.73)	(0.12)	(0.49)
Ongoing charges (%) (cost of running the Company)	**1.31**	1.46	1.52	1.62	1.80	2.00	1.98	2.08	2.17	1.98	1.65
Gearing (%)[4]	**18.7**	24.3	16.6	22.2	16.8	21.0	23.2	20.9	3.8	28.5	20.7
NAV per ordinary share total return performance - undiluted (%)	**+34.1**	+20.5	+24.6	+3.1	+31.8	-6.6	-6.2	+23.2	+3.7	-19.6	-16.2
NAV per ordinary share total return performance - diluted (%)	**n/a**	n/a	+21.6	n/a	n/a	-5.7	-5.2	+19.4	n/a	n/a	n/a
Ordinary share price total return performance (%)	**+49.3**	+17.0	+20.5	0.0	+39.5	-1.7	-8.3	+18.0	+16.2	-28.6	-20.4
Russell Nomura Mid/Small Cap Index total return (in sterling terms) (%)	**+17.5**	+22.0	+19.4	+5.1	+21.7	-3.1	-9.3	+18.6	-6.3	+4.4	-8.5

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

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 a Director of NHBS Limited and SerraLux Inc. 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 Director of three Asian hedge funds, the Akamatsu Fund, the Akamatsu Bonsai Fund and the Counterpoint Asian Macro Fund. He is a fellow of Wolfson College, Oxford. He is a former Managing Director and Senior Advisor of Credit Suisse First Boston where he ran the global Japanese cash equity business and 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, a US listed corporate finance advisory business and Chairman of Historic England. He is Chairman of JP Morgan Multi-Asset 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
Resigned 1 February 2018

Mami Mizutori was appointed as Assistant Secretary-General and Special Representative of the Secretary-General for Disaster Risk Reduction, United Nations Office for Disaster Risk Reduction (UNISDR) on 1 February 2018. She was an Executive Director of the Sainsbury Institute for the Study of Japanese Arts and Cultures and acted as a special advisor in Japanese studies to the University of East Anglia. She was also a director of the Association for Aid and Relief, Japan and a trustee of the Daiwa Anglo-Japanese Foundation. She 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.

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 2017.

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 as an investment trust on 15 March 1994.

Management Company

FIL Investment Services (UK) Limited ("FISL") is the Company's appointed Alternative Investment Fund Manager (the "AIFM"/"Manager"). FISL, as the Manager, has delegated the portfolio management of assets and the role of the company secretary to FIL Investments International (the "Investment Manager").

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 Agreement or on the insolvency of the Manager or the Company. In addition, the Company may terminate the Agreement by sixty days' notice if the Manager ceases to be a subsidiary of FIL Limited.

FIL Limited has no beneficial interest in the shares of the Company (2016: same).

The Board reviews the Management Agreement at least annually and details are included in the Corporate Governance Statement on page 28.

Fee Arrangements

The Management Agreement provides investment management services to the Company 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. In addition, the Manager provides secretarial and administration services and the fees for the year to 31 December 2017 were £47,000 (2016: £46,000). Fees are calculated and paid quarterly.

With effect from 1 July 2018, the Company will adopt a new fee agreement which reduces the headline management fee from 0.85% of gross assets to 0.70% of net assets per annum, with a +/- 0.20% variation based on performance relative to the Reference Index. The change from gross to net assets will lead to a significant reduction in the base fee taking into account the current level of gearing, with the performance fee capped, such that the maximum fee that the Company will pay will be 0.90% of net assets, but if the Company underperforms the Reference Index, the overall fee could fall as low as 0.50% of net assets.

The Board

All the Directors served on the Board throughout the year ended 31 December 2017. A brief description of all serving Directors is shown on page 23 and indicates their qualifications for Board membership. As reported in the Chairman's Statement, Mami Mizutori resigned from the Board on 1 February 2018.

Directors and Officers' Liability Insurance

In addition to benefits enjoyed under the Manager's global Directors' and Officers' liability insurance arrangements, the Company maintains additional insurance cover for its Directors under its own policy as permitted by the Companies Act 2006.

Going Concern Statement

The Directors have considered the Company's 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 twelve months from the date of this Annual Report. The prospects of the Company over a period longer than twelve months *can be found in the Viability Statement on page* 15.

Auditor's Appointment

A resolution to reappoint Ernst & Young LLP as Auditor to the Company will be proposed at the AGM on 22 May 2018.

Disclosure of Information to the Company's Auditor

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

a) so far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and

b) each Director has taken all the steps that ought to have been taken as a Director to make himself/herself aware of any audit information, and to establish that the Company's Auditor is aware of that information.

Corporate Governance

The Corporate Governance Statement forms part of this report and can be found on pages 27 to 30.

Registrar, Custodian and Depositary Arrangements

The Company employs Link Asset Services (previously Capita Asset Services) as its Registrar 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 investment funds and the protection of investors' interests. Fees paid to these service providers are disclosed in Note 5 on page 47.

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 2017, the issued share capital of the Company was 136,161,695 ordinary shares (2016: 136,161,695) of which 555,000 shares (2016: 180,000) are held in Treasury. Shares in Treasury do not have voting rights, therefore, the total number of ordinary shares with voting rights was 135,606,695 (2016: 135,981,695).

Premium/Discount Management: Enhancing Shareholder Value

The Board recognises the importance of the relationship between the Company's share price and the NAV 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

No ordinary shares were issued during the year to 31 December 2017 (2016: issue of 22,527,339 ordinary shares following the exercise of rights attached to the subscription shares) and none 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 this year's AGM on 22 May 2018, therefore resolutions renewing these authorities will be put to shareholders for approval at this 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, 375,000 ordinary shares were repurchased for holding in Treasury (2016: 180,000). Since the year end and as at the date of this report, no further ordinary shares have been repurchased for cancellation or taken into Treasury.

The authority to repurchase ordinary shares expires at the AGM on 22 May 2018 and a special resolution to renew the authority to purchase ordinary shares for cancellation, including the ability to buy shares into Treasury, will be put to shareholders for approval at the forthcoming AGM.

Substantial Share Interests

As at 31 December 2017 and 28 February 2018, notification had been received that the shareholders listed in the table below, held more than 3% of the voting share capital of the Company.

Shareholders	**31 December 2017 %**	28 February 2018 %
Lazard Asset Management	**23.0**	22.0
Wells Capital Management	**18.2**	18.4
1607 Capital Partners	**12.8**	11.8
Fidelity Platform Investors	**7.8**	7.8
Wesleyan Assurance	**3.9**	3.9
South Yorkshire Pension Authority	**3.1**	2.4

An analysis of shareholders as at 31 December 2017 and 31 December 2016 is detailed in the table below.

Shareholders	**2017 % of voting share capital**	2016 % of voting share capital
Mutual Funds	**33.2**	44.3
Retail Investors[1]	**29.7**	23.0
Pension Funds	**27.0**	23.7
Insurance Funds	**6.5**	7.4
Hedge Funds	**2.3**	0.3
Trading	**0.7**	0.7
Charities	**0.6**	0.6
Total	**100.0**	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 16.

Directors' Report continued

Annual General Meeting
THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

The Circular accompanying this Annual Report, sets out the business of the AGM and contains other information for shareholders to consider.

At the AGM on 22 May 2018, resolutions will be proposed relating to the items of business set out in the Notice of Meeting in the Circular accompanying this Annual Report, including the items of special business summarised below.

Authority to Allot Shares
Resolution 9 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 (including Treasury shares) as at 29 March 2018 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 NAV per share or at a premium to NAV per share.

Authority to Disapply Pre-emption Rights
Resolution 10 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 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 29 March 2018 and equivalent to 6,808,084 ordinary shares).

Authority to Repurchase the Company's Shares
Resolution 11 is a special resolution which renews the Company's authority to purchase up to 14.99% (20,327,443) of the number of ordinary shares in issue (excluding Treasury shares) on 29 March 2018, 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 NAV per share.

Amendment to Investment Policy
The Board is proposing to make a small number of changes to the Company's investment policy in light of the proposed amendment to the objective in order to reflect a greater weighting to micro, small and large cap stocks. This will better reflect the approach the Portfolio Manager recommends following in future and will, therefore, refocus the objective more appropriately. Furthermore, the Board proposes to increase the limit on the percentage of the Company's assets that may be invested in securities which are not listed at the time of acquisition from 5% to 10%, and make certain clarificatory changes to the current investment policy. Further information in respect of this proposal are described in more detail in the Circular to shareholders dated 10 April 2018 accompanying this Annual Report.

Under the Listing Rules the Company is required to seek the approval of shareholders for any material change to its investment policy.

Resolution 12 is an ordinary resolution and will, if passed, allow the Company to amend its existing investment policy and to adopt the proposed investment policy. The complete text of the proposed investment policy, along with a mark-up including the proposed changes to the existing investment policy, is set out in Part II of the Circular.

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
29 March 2018

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 2016 and the AIC's Code of Corporate Governance (the "AIC Code") issued by the Association of Investment Companies ("AIC") in 2016. 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. This Statement, together with the Statement of Directors' Responsibilities on page 34, set out how the principles have been applied.

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 position of the Company, as it is an externally managed investment company and has no executive directors, employees or internal operations.

THE BOARD

Board Composition

As at the date of this report, the Board, chaired by David Robins, consists of four non-executive Directors. As previously mentioned, Mami Mizutori resigned on 1 February 2018 and the recruitment process for her replacement is underway. 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 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 23.

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 reserved for the Board and considered at 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, and the appointments and remuneration 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 and is satisfied that none have arisen in the year under review.

All Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively. Each Director is entitled to take independent professional advice, at the Company's expense, in the furtherance of their duties.

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on page 28 gives the attendance record for the meetings held during the reporting 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.

In addition to the formal Board and Committee meetings, the Board undertakes an annual due diligence trip to Japan. During this trip, the Board meets the management of existing and potential investee companies alongside the Portfolio Manager. Further details of the most recent trip which also included a visit to Hong Kong can be found in the Chairman's Statement on page 3.

Corporate Governance Statement continued

	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
Mami Mizutori	4/4	1/1	3/3	1/1
Dominic Ziegler	4/4	1/1	3/3	1/1

Figures indicate those meetings for which each Director was eligible to attend and attended in the year. Regular Board Meetings exclude ad hoc meetings for formal approvals.

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.

Changes to the Board
Any proposal for the appointment of new Directors is discussed and, approved by the whole Board. External consultants who have no connection with the Company are used to identify potential candidates. Following Mami Mizutori's resignation on 1 February 2018, the Board has engaged Fletcher Jones Ltd to assist in the recruitment of a new independent non-executive Director.

Director Training
Upon appointment, each Director is provided with all relevant information regarding the Company and receives an induction in the investment operation 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.

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 23. The terms and letters of appointment of Directors are available for inspection at the registered office of the Company and will be available prior to the AGM.

Board Evaluation
An annual evaluation of the Board, its Directors and its Committees is undertaken. It takes the form of written questionnaires and discussions. The performance of the Chairman is evaluated by the other Directors. 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 as one of the matters in the evaluation process. A Director may serve for more than nine years provided that Director is considered by the Board to continue to be independent.

Directors' Remuneration and Share Interests
Details of Directors' remuneration and share interests are disclosed in the Directors' Remuneration Report on pages 32 and 33.

BOARD COMMITTEES
The Board has three Committees namely: the Audit Committee, the Management Engagement Committee and the Nomination Committee, through which it discharges certain of its corporate governance responsibilities. 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 current Directors. Full details are disclosed in the Report of the Audit Committee on pages 35 and 36.

Management Engagement Committee
The Management Engagement Committee is chaired by David Robins and consists of all of the current 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 remains competitive and reasonable for shareholders.

Ahead of each AGM, the Committee reviews the performance of the Manager and the fee basis and also that of its peers. Having considered the Company's performance record and the commitment, quality and continuity of the team responsible for the Company, the Committee has concluded that it was in the interests of shareholders that the appointment of the Manager should continue.

Nomination Committee
The Nomination Committee is chaired by David Robins and consists of all of the current Directors. It meets at least once a year and reviews the composition, size and structure of the Board and makes recommendations to the Board as 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. External consultants may be used to identify potential candidates, as is the case for the recruitment for a replacement for Mami Mizutori.

The Committee also considers the election and re-election of Directors ahead of each AGM. For the forthcoming AGM, it has considered the performance and contribution to the Company of each current Director and concluded that each Director has been effective and continues 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 34 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 Auditor's Report on pages 37 to 41.

The Board has a responsibility to present a fair, balanced and understandable assessment of annual, half-yearly, other price sensitive public reports and to provide information required to be presented by statutory requirements. All such reports are reviewed by the Audit Committee 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 the 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 Auditor. The review also includes consideration of similar internal controls reports issued by the 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 2017 and up to the date of this 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 meets the Manager's internal audit representative at least once a year. It 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 ("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.

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**.

Corporate Governance Statement continued

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 has 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 its 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 60. 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, as appropriate.

The Board encourages all shareholders to attend the AGM on 22 May 2018 at which there will be 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 Notice of Meeting, included as part IV ("Notice of Annual General Meeting") of the Circular accompanying this Annual Report, sets out the business of the Annual General Meeting and the special business resolutions are explained more fully in part III ("AGM") of the Circular and also on page 26 of the Directors' Report. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Notice of Meeting and related papers are sent to shareholders at least 20 working days before the Meeting.

Voting rights in the Company's shares

Every person entitled to vote 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 held. 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

David Robins
Chairman
29 March 2018

Directors' Remuneration Report

Chairman's Statement

The Directors' Remuneration Report for the year ended 31 December 2017 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 chief executive and 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.

An ordinary resolution to approve the Directors' Remuneration Report (excluding the Remuneration Policy) will be put to shareholders at the AGM on 22 May 2018. The Company's 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 37 to 41.

Directors' Remuneration

The Board has undertaken a review of its fees taking into account the arrangements in place at similar investment trust companies. Given that the Directors' fees had not been adjusted since 2012, and the peer group's fees had moved on from this time, the Board felt that an increase was now appropriate. The revised fee structure now places the Directors' fees around the median for similar investment trust companies.

The fee structure with effect from 1 January 2018 is: Chairman - £35,000 (2012: £30,000); Chairman of the Audit Committee - £26,500 (2012: £23,000); and Directors - £24,000 (2012: £20,000). Increases in Directors' remuneration are made to ensure that they remain competitive and sufficient to attract and retain the quality of Directors needed to manage the Company successfully.

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 current policy, which was approved at last year's AGM, is set out below.

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 (the "Policy"), as set out above, was approved at the AGM on 6 June 2017 with 99.82% of votes cast in favour, 0.13% of votes cast against and 0.05% of votes withheld. The next vote will be put to shareholders at the AGM in 2020. The Policy has been followed throughout the year ended 31 December 2017 and up to the date of this report.

Voting on the Directors' Remuneration Report

At the AGM held on 6 June 2017, 99.82% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 December 2016, 0.13% of votes were cast against and 0.05% of votes were withheld.

The Directors' Remuneration Report for the year ended 31 December 2017 will be put to shareholders at the AGM on 22 May 2018, and the votes cast will be disclosed on the Company's pages of the Manager's website at **www.fidelityinvestmenttrusts.com**.

Single Total Figure of Directors' Remuneration

The single total aggregate Directors' remuneration for the year under review was £113,289 (2016: £121,980). This includes expenses incurred by Directors attending to the affairs of the Company and which are considered by HMRC to be a taxable benefit. Information on individual Directors' fees and taxable benefits (Directors' expenses) are disclosed in the table on page 32.

Directors' Remuneration Report continued

Remuneration of Directors	2018 Projected Fees (£)	**2017 Fees (Audited) (£)**	**2017 Taxable Benefits (Audited) (£)**	**2017 Total (Audited) (£)**	2016 Fees (Audited) (£)	2016 Taxable Benefits (Audited) (£)	2016 Total (Audited) (£)
David Robins	35,000	**30,000**	**-**	**30,000**	30,000	-	30,000
Philip Kay	24,000	**20,000**	**-**	**20,000**	20,000	-	20,000
Sir Laurence Magnus	26,500	**23,000**	**-**	**23,000**	23,000	-	23,000
Mami Mizutori[1]	1,667	**20,000**	**289**	**20,289**	20,000	222	20,222
Dominic Ziegler	24,000	**20,000**	**-**	**20,000**	20,000	-	20,000
David Miller[2]	n/a	**n/a**	**n/a**	**n/a**	8,333	425	8,758
Total	111,167	**113,000**	**289**	**113,289**	121,333	647	121,980

1 Retired 1 February 2018
2 Retired 24 May 2016

Expenditure on Directors' Remuneration and Distributions to shareholders

As the Company has no employees, the Directors do not consider that it is relevant to present a table comparing remuneration paid to employees with distributions to shareholders. The total fees paid to Directors is shown above.

Performance

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. The graph below shows the performance of the Company's NAV, share price and the Russell Nomura Mid/Small Cap Index (in sterling terms) over nine years to 31 December 2017.

Directors' Interest in the Company's Shares

Although there is no requirement for the Directors to hold shares in the Company, shareholdings by Directors is encouraged. The table below shows the interests of the Directors' in the ordinary shares of the Company. All of the shareholdings are beneficial.

Directors' Shareholdings[1] (Audited)

	31 December 2017	31 December 2016	Change during year
David Robins	**37,000**	37,000	-
Philip Kay	**12,183**	12,183	-
Sir Laurence Magnus	**48,000**	48,000	-
Mami Mizutori	**11,063**	11,063	-
Dominic Ziegler	***nil***	*nil*	-

1 These are all direct shareholdings and there are no relevant shareholdings by connected persons

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

On behalf of the Board

David Robins
Chairman
29 March 2018

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 reporting 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 FRS 102, 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 29 March 2018 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 2017.

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 collectively its members have sufficient recent and relevant financial experience to discharge their responsibilities fully.

The Committee's performance is evaluated as part of the overall Board evaluation process on an annual basis.

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 Auditor the nature and scope of the audit, reviewing the Auditor's quality control procedures and reporting, the effectiveness of the audit process and the Auditor's independence and objectivity with particular regard to the provision of non-audit services;
- Responsibility for making recommendations on the appointment, reappointment and removal of the Auditor;
- Reviewing the effectiveness of the Company's risk management and internal controls systems (including financial, operational and compliance controls), considering the scope of the 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 reviews of internal controls 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).

* The Committee, on behalf of the Board, has reviewed the work undertaken by the Manager's internal audit team and has sufficient reassurance that a sound system of internal controls is maintained to safeguard shareholders' investments and the Company's assets.

Meetings and Business considered by the Audit Committee during the year
Since the date of the last Annual Report (21 March 2017), the Committee has met three times and the Independent Auditor has attended two of these meetings.

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

- The Company's risk management and internal controls framework;
- The Company's compliance with its investment policy limits;
- The Depositary's oversight report;
- The Company's revenue and expenses forecasts and its Balance Sheet; and
- The Committee's terms of reference.

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

July 2017	• The Half-Yearly Report and Financial Statements and recommendation of its approval to the Board • The Going Concern Statement
December 2017	• The Auditor's engagement letter and audit plan for the Company's year ending 31 December 2017 • Work performed by the Manager's Internal Audit team
March 2018	• The Auditor's findings from the year-end 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

Report of the Audit Committee continued

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 34. 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	Investment income is recognised in accordance with accounting policy Note 2(e) on page 45. 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 investment income. Investment income was also tested and reported on by the Auditor.
Valuation, existence and ownership of investments (including derivatives)	The valuation of investments (including derivatives) is undertaken in accordance with accounting policy Notes 2(j) and 2(k) on page 46. The Committee took comfort from the Depositary'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 received confirmation from the Auditor that it had tested the valuation of investments and derivatives by reference to independent sources and had also confirmed the existence and ownership of investments with the Company's Custodian and that of the derivatives with the Company's counterparties. Unlisted investments are appraised by Fidelity's Fair Value Pricing ("FFVP") Committee in accordance with UK GAAP and International Private Equity and Venture Capital Valuation Guidelines. The Committee receives information from the FFVP Committee and reviews and approves the proposed valuation methodologies for all unlisted investments. This was the case for the unlisted investment held by the Company in Raksul.

Independence and Effectiveness of the Audit Process

Ernst & Young LLP acted as the Company's Auditor for the year ended 31 December 2017. Fees paid to the Auditor for the audit of the Company's Financial Statements are disclosed in Note 5 on page 47.

With regard to its assessment of 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 (*there were no non-audit services provided to the Company during the reporting year and as at the date of this report*); and
- The statement by the Auditor that it remains independent within the meaning of the regulations and its professional standards.

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 2017; and
- Feedback from the Manager on the audit of the Company.

The Committee concluded that the Auditor continues to remain independent and the audit process remains effective.

Auditor's Appointment and Audit Tenure

Ernst & Young LLP was appointed as the Company's Auditor on 24 May 2016 following a formal audit tender process in 2015. The Committee has 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 second 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 continues to receive 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
29 March 2018

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

Opinion

We have audited the financial statements of Fidelity Japanese Values plc for the year ended 31 December 2017, which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Use of our report

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

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual report set out on page 14 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 13 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 Directors' statement set out on page 24 in the Annual report 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;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 15 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.

Overview of our audit approach

Key audit matters	• Incomplete or inaccurate investments and derivatives income recognition and specifically the recognition of special dividends, including incorrect allocation between revenue and capital • Valuation and existence of investments and derivatives
Materiality	• Overall materiality of £2.2m (2016: £1.7m) which represents 1% of the Company's Net Asset Value as at 31 December 2017

Key audit matters

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

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate investments and derivatives income recognition and specifically the recognition of special dividends, including incorrect allocation between revenue and capital *Refer to the Report of the Audit Committee (page 36); Accounting policies (page 45); and Note 3 of the Financial Statements (page 47).* The Company has reported income of £2.6m (2016: £2.5m). We identified the incomplete or inaccurate recognition of special dividends to be a fraud risk due to the requirement to exercise judgement and manual processing. Special dividends by their nature require the exercise of judgement as to whether the income receivable should be classified as "revenue" or "capital" for S1158 Corporation Tax Act 2010 ("CTA") purposes. During the year the Company has not received special dividends (2016: £nil).	We have performed the following procedures: • Walked through the revenue recognition process, including recognition of special dividends, to obtain an understanding of the design effectiveness of the controls; • Agreed a sample of dividends to the corresponding announcements made by the investee company and agreed cash received to bank statements; • 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 material accrued investment and derivative dividends to an independent source and to post year end bank statement to assess the recoverability of these amounts; • For the sample selected, we compared the exchange rate used to translate the investment and derivative dividend income received in foreign currency to an independent source; • Tested journal entries posted to the income account during the year.	The results of our procedures identified no issues with the accuracy, classification or completeness of income receipts. We noted no exceptions in agreeing the sample of dividend income from investments and derivatives to and from the independent source and to the bank statements. We noted no issues in agreeing the accrued dividend to an independent source and post year end bank statement. We have not identified any special dividends.
Valuation and existence of investments and derivatives *Refer to the Report of the Audit Committee (page 36); Accounting policies (page 46); and Notes 9, 10 of the Financial Statements (pages 49 and 50).* The valuation of investments and derivatives as at 31 December 2017 was £222.5m (2016: £166.0m), comprising £221.8m (2016: £161.8m) of investments and £0.7m (2016: £4.2m) of net derivatives. The existence and valuation of the assets held in the investment portfolio and derivatives is the key driver of the Company's net asset value and total return. The investment portfolio is predominantly focused on listed investments and derivatives, the unlisted ('Level 3') investments were valued at £0.9m (2016: £1.0m). 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.	We have performed the following procedures: • Walked through the investment valuation process to obtain an understanding of the design effectiveness of the controls; • Independently valued 100% of the listed investments and derivatives prices in the portfolio using an independent data provider, and compared these values to those values of the Company; • Confirmed the valuation of the unlisted security by reviewing the financial performance of the underlying Company; • For those investments priced in currencies other than sterling we compared the exchange rates to an independent source and recalculated the value of those investments; and • Agreed 100% of the holdings in the investment portfolio including derivatives to third party confirmations received from the Custodian or Brokers.	For all listed investments and derivatives, we noted no differences above our reporting threshold in market value or exchange rates. Based on the work performed, we concluded that the cost valuation ascribed to the Company's unlisted security was a reasonable approximation of fair value. We noted no exceptions or discrepancies between the Custodian and Brokers confirmations and the Company's underlying financial records.

The risks of material misstatement are the same as in the prior year, however we have refined the description to better reflect the specific nature of those risks.

An overview of 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. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. The Company is a single company and all audit work was performed directly by the audit engagement team.

Our application of materiality
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

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 £2.2 million (2016: £1.7 million), which is 1% (2016: 1%) of the Net Asset Value of the Company. We have used the Net Asset Value of the Company as the basis for setting materiality as it provides the most important financial metric on which shareholders 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 75% (2016: 50%) of our planning materiality, namely £1.7m (2016: £0.8m). We have increased performance materiality to this percentage based on our experience of the first year audit that indicated a lower risk of misstatements, both corrected and uncorrected.

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.11m (2016: £0.08m), which is set at 5% (2016: 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.

Other information
The other information comprises the information included in the Annual report set out on page 25, including the Strategic Report set out on pages 12 to 16 and Directors' Report set out on pages 24 to 26, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 34** - the statement given by the Directors that they consider the Annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit Committee reporting set out on pages 35 and 36** - the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or

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

- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 27** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 34, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.

- We understood how Fidelity Japanese Values plc is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to incomplete or inaccurate investments and derivatives income recognition and specifically the recognition of special dividends, including incorrect allocation between revenue and capital. Further discussion of our approach is set out in the section on key audit matters above.

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

Other matters we are required to address

- We were appointed by the Company on 24 May 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 2 years, covering the years ending 31 December 2016 to 31 December 2017.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Matthew Price
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London
29 March 2018

Notes:

1. The maintenance and integrity of the Fidelity International web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. 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 2017

		Year ended 31 December 2017			Year ended 31 December 2016		
	Notes	**revenue £'000**	**capital £'000**	**total £'000**	revenue £'000	capital £'000	total £'000
Gains on investments	9	**-**	**44,049**	**44,049**	-	30,593	30,593
Gains on derivative instruments	10	**-**	**13,084**	**13,084**	-	675	675
Income	3	**2,568**	**-**	**2,568**	2,471	-	2,471
Investment management fees	4	**(2,016)**	**-**	**(2,016)**	(1,597)	-	(1,597)
Other expenses	5	**(461)**	**-**	**(461)**	(489)	-	(489)
Foreign exchange (losses)/gains		**-**	**(304)**	**(304)**	-	247	247
Net return on ordinary activities before finance costs and taxation		**91**	**56,829**	**56,920**	385	31,515	31,900
Finance costs	6	**(175)**	**-**	**(175)**	(91)	-	(91)
Net (loss)/return on ordinary activities before taxation		**(84)**	**56,829**	**56,745**	294	31,515	31,809
Taxation on (loss)/return on ordinary activities	7	**(211)**	**-**	**(211)**	(202)	-	(202)
Net (loss)/return on ordinary activities after taxation for the year		**(295)**	**56,829**	**56,534**	92	31,515	31,607
(Loss)/return per ordinary share	8	**(0.22p)**	**41.88p**	**41.66p**	0.07p	24.56p	24.63p

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

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

The Notes on pages 45 to 57 form an integral part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 December 2017

	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 2016		**34,041**	**20,722**	**2,767**	**56,886**	**66,368**	**(14,379)**	**166,405**
Ordinary Shares repurchased and held in Treasury	13,14	-	-	-	**(412)**	-	-	**(412)**
Net return/(loss) on ordinary activities after taxation for the year		-	-	-	-	**56,829**	**(295)**	**56,534**
Total shareholders' funds at 31 December 2017		**34,041**	**20,722**	**2,767**	**56,474**	**123,197**	**(14,674)**	**222,527**
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	13,14	-	-	-	(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

The Notes on pages 45 to 57 form an integral part of these Financial Statements.

Balance Sheet

as at 31 December 2017
Company number 2885584

	Notes	2017 £'000	2016 £'000
Fixed assets			
Investments	9	**221,792**	161,777
Current assets			
Derivative instruments	10	**1,123**	4,619
Debtors	11	**652**	534
Cash at bank		**908**	620
		2,683	5,773
Creditors			
Derivative instruments	10	**(456)**	(424)
Other creditors	12	**(1,492)**	(721)
		(1,948)	(1,145)
Net current assets		**735**	4,628
Net assets		**222,527**	166,405
Capital and reserves			
Share capital	13	**34,041**	34,041
Share premium account	14	**20,722**	20,722
Capital redemption reserve	14	**2,767**	2,767
Other reserve	14	**56,474**	56,886
Capital reserve	14	**123,197**	66,368
Revenue reserve	14	**(14,674)**	(14,379)
Total shareholders' funds		**222,527**	166,405
Net asset value per ordinary share	15	**164.10p**	122.37p

The Financial Statements on pages 42 to 57 were approved by the Board of Directors on 29 March 2018 and were signed on its behalf by:

David Robins
Chairman

The Notes on pages 45 to 57 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"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", issued by the Financial Reporting Council ("FRC"). 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 and updated in January 2017 with consequential amendments. 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) Significant accounting estimates and judgements - The Directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The judgements required in order to determine the appropriate valuation methodology of level 3 financial instruments have a risk of causing an adjustment to the carrying amounts of assets. These judgements include making assessments of the possible valuations in the event of a listing or other marketability related risks.

c) Segmental reporting - The Company is engaged in a single segment business and, therefore, no segmental reporting is provided.

d) 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 loss 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.

e) 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. The net amount is credited to the revenue column of the Income Statement.

f) 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.

g) 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 sterling. Sterling is also the currency in which the Financial Statements are presented. Transactions denominated in foreign currencies are reported in 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.

h) 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.

i) Taxation - The taxation charge represents the sum of current taxation and deferred taxation.

2 Accounting Policies continued

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 the treatment of certain items for accounting purposes and their treatment for the purposes of computing taxable profits. Deferred taxation is based on tax rates that have been enacted or substantially enacted when the taxation is expected to be payable or recoverable. Deferred taxation assets are only recognised if it is considered more likely than not that there will be sufficient future taxable profits to utilise them.

j) 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 transactions in the same or similar investments and financial performance of the investment since acquisition.

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.

k) Derivative instruments – When appropriate, permitted transactions in derivative instruments are used. 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 and subsequently measured at fair value as follows:

- Long CFDs are valued at the difference between the strike price and the value of the underlying shares in the contract.

l) Debtors – Debtors include securities sold for future settlement, accrued income and other debtors and pre-payments incurred in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer) they are classified as current assets. If not, they are presented as non-current assets. They are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

m) Cash at bank – Cash at bank is subject to an insignificant risk of changes in value.

n) Other creditors – Other creditors include securities purchased for future settlement and other creditors and expenses accrued in the ordinary course of business. If payment is due within one year or less (or in the normal operating cycle of the business, if longer) they are classified as current liabilities. If not, they are presented as non-current liabilities. They are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

o) 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;
- Dividends receivable which are capital in nature.

As a result of technical guidance issued by the Institute of Chartered Accountants in England and Wales in 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 £906,000 (2016: £958,000), 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.

3 Income

	Year ended 31.12.17 £'000	Year ended 31.12.16 £'000
Investment income		
Overseas dividends	**2,111**	2,022
Derivative income		
Dividends on long CFDs	**457**	449
Total income	**2,568**	2,471

4 Investment Management Fees

	Year ended 31.12.17 £'000	Year ended 31.12.16 £'000
Investment management fees	**2,016**	1,597

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management to FIL Investments International ("FII"), the Investment Manager. Both companies are Fidelity group companies. FII charges portfolio management services fees at an annual rate of 0.85% of the value of gross 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 24.

5 Other Expenses

	Year ended 31.12.17 £'000	Year ended 31.12.16 £'000
AIC fees	**10**	9
Administration and secretarial fees payable to the Investment Manager	**47**	46
Custody fees	**18**	14
Depositary fees	**16**	17
Directors' expenses	**28**	31
Directors' fees[1]	**113**	121
Legal and professional fees	**50**	48
Marketing expenses	**67**	88
Printing and publication expenses	**53**	51
Registrars' fees	**21**	29
Sundry other expenses	**14**	11
Fees payable to the Company's Independent Auditor for the audit of the annual financial statements	**24**	24
	461	489

1 Details of the breakdown of Directors' fees are provided in the Directors' Remuneration Report on page 32

Notes to the Financial Statements continued

6 Finance Costs

	Year ended 31.12.17 £'000	Year ended 31.12.16 £'000
Interest paid on long CFDs	**175**	91

7 Taxation on Return on Ordinary Activities

	Year ended 31.12.17 £'000	Year ended 31.12.16 £'000
a) Analysis of taxation charge for the year		
Overseas taxation (Note 7b)	**211**	202

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 19.25% (2016: 20%). A reconciliation of tax at the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	Year ended 31.12.17 £'000	Year ended 31.12.16 £'000
Net return on ordinary activities before taxation	**56,745**	31,809
Net return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19.25% (2016: 20%)	**10,923**	6,362
Effects of:		
Gains on investments not taxable[1]	**(10,940)**	(6,303)
Income not taxable	**(406)**	(404)
Excess management expenses not utilised	**423**	345
Overseas taxation	**211**	202
Taxation charge for the year (Note 7a)	**211**	202

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 £4,038,000 (2016: £3,665,000), in respect of excess expenses of £23,756,000 (2016: £21,560,000), has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

8 (Loss)/return per Ordinary Share

	Year ended 31 December 2017			Year ended 31 December 2016		
	revenue	**capital**	**total**	revenue	capital	total
(Loss)/return per ordinary share – basic and diluted	**(0.22p)**	**41.88p**	**41.66p**	0.07p	24.56p	24.63p

The returns per ordinary share are based on, respectively; the net revenue loss on ordinary activities after taxation for the year of £295,000 (2016: net return £92,000), the net capital return on ordinary activities after taxation for the year of £56,829,000 (2016: £31,515,000) and the net total return on ordinary activities after taxation for the year of £56,534,000 (2016: £31,607,000), and on 135,684,503 ordinary shares (2016: 128,319,344), being the weighted average number of ordinary shares held outside Treasury in issue during the year.

9 Investments

	2017 £'000	2016 £'000
Investments held at fair value through profit or loss		
Listed overseas investments	**220,886**	160,819
Unlisted overseas investments	**906**	958
Total investments	**221,792**	161,777

Opening book cost	**128,765**	100,256
Opening investment holding gains	**33,012**	15,276
Opening fair value	**161,777**	115,532
Movements in the year		
Purchases at cost	**156,427**	120,492
Sales - proceeds	**(140,461)**	(104,840)
Gains on sales of investments	**22,828**	12,857
Movement in investment holding gains	**21,221**	17,736
Closing fair value	**221,792**	161,777

Closing book cost	**167,559**	128,765
Closing investment holding gains	**54,233**	33,012
Closing fair value	**221,792**	161,777

	Year ended 31.12.17 £'000	Year ended 31.12.16 £'000
Gains on investments held at fair value through profit or loss		
Gains on sales of investments	**22,828**	12,857
Movement in investment holding gains	**21,221**	17,736
	44,049	30,593
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	**144**	108
Sales transaction costs	**126**	84
	270	192

The portfolio turnover rate for the year ended 31 December 2017 was 80.1% (2016: 78.1%).

Notes to the Financial Statements continued

10 Derivative Instruments

Gains on derivative instruments	Year ended 31.12.17 £'000	Year ended 31.12.16 £'000
Gains/(losses) on long CFD positions closed	16,612	(3,581)
Movement in investment holding (losses)/gains on long CFDs	(3,528)	4,256
	13,084	675

Derivative instruments recognised on the Balance Sheet	2017 fair value £'000	2017 portfolio exposure £'000	2016 fair value £'000	2016 portfolio exposure £'000
Derivative assets at fair value through profit or loss	1,123	31,628	4,619	37,358
Derivative liabilities at fair value through profit or loss	(456)	10,697	(424)	7,765
	667	42,325	4,195	45,123

11 Debtors

	2017 £'000	2016 £'000
Securities sold for future settlement	353	65
Accrued income	216	405
Other debtors	83	64
	652	534

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

12 Other Creditors

	2017 £'000	2016 £'000
Securities purchased for future settlement	714	97
Creditors and accruals	778	624
	1,492	721

13 Share Capital

	2017 number of shares	2017 £'000	2016 number of shares	2016 £'000
Issued, allotted and fully paid				
Ordinary shares of 25 pence each held outside Treasury				
Beginning of the year	**135,981,695**	**33,996**	114,218,356	28,555
Issue of ordinary shares on the exercise of rights attached to subscription shares	-	-	22,527,339	5,632
Ordinary shares repurchased for cancellation	-	-	(584,000)	(146)
Ordinary shares repurchased into Treasury	**(375,000)**	**(94)**	(180,000)	(45)
End of the year	**135,606,695**	**33,902**	135,981,695	33,996
Ordinary shares of 25 pence each held in Treasury*				
Beginning of the year	**180,000**	**45**	-	-
Ordinary shares repurchased into Treasury	**375,000**	**94**	180,000	45
End of the year	**555,000**	**139**	180,000	45
Issued, allotted and fully paid				
Subscription shares of 0.001 pence each				
Beginning of the year	-	-	22,527,339	-
Cancellation of subscription shares on the exercise of rights	-	-	(22,527,339)	-
End of the year	-	-	-	-
Total share capital		**34,041**		34,041

* Ordinary shares held in Treasury carry no rights to vote, to receive a dividend or to participate in a winding up of the Company

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.

During the prior year the Company issued 22,527,339 ordinary shares 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 was credited to the share premium account.

The Company repurchased 375,000 ordinary shares (2016:180,000 shares) and held them in Treasury. The £412,000 (2016: £184,000) cost of repurchase was charged to the other reserve.

During the prior year the Company repurchased and cancelled 584,000 ordinary shares. The £146,000 nominal value of those cancelled shares was credited to the capital redemption reserve and the £498,000 cost of repurchase was charged to the other reserve.

Notes to the Financial Statements continued

14 Share Premium Account and Reserves

					2017
	share premium account £'000	**capital redemption reserve £'000**	**other reserve £'000**	**capital reserve £'000**	**revenue reserve £'000**
Beginning of the year	**20,722**	**2,767**	**56,886**	**66,368**	**(14,379)**
Cost of ordinary shares repurchased and held in Treasury	**-**	**-**	**(412)**	**-**	**-**
Net return/(loss) on ordinary activities after taxation for the year	**-**	**-**	**-**	**56,829**	**(295)**
End of the year	**20,722**	**2,767**	**56,474**	**123,197**	**(14,674)**

					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. It 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. It 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. It can be used to fund share repurchases.

The capital reserve represents 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 as recognised in the capital column of the Income Statement. Refer to Notes 9 and 10 for information on investment holding gains/(losses) included in this reserve. It 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. It could be distributed by way of dividend if it were not in deficit.

15 Net Asset Value per Ordinary Share

The net asset value per ordinary share is based on net assets of £222,527,000 (2016: £166,405,000) and on 135,606,695 (2016: 135,981,695) 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 NAV per share or at a premium to net asset value per share and, therefore, shares held in Treasury have no dilutive effect.

16 Financial Instruments

Management of risk

The Company's investing activities in pursuit of its objective involve certain inherent risks. The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the internal control process, identifies the risks that the Company faces. Principal risks identified are market, performance, discount control, gearing and currency risks. Other risks identified are tax and regulatory and operational risks, including those relating to third party service providers covering investment management, marketing and business development, company secretarial, fund administration and operations and support functions. Risks are identified and graded in this process, together with steps taken in mitigation, and are updated and reviewed on an ongoing basis. These risks and how they are identified, evaluated and managed are shown in the Strategic Report on pages 13 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 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 its 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:

Exposure to financial instruments that bear interest	**2017 £'000**	2016 £'000
Long CFDs – portfolio exposure less fair value	**41,658**	40,928
Exposure to financial instruments that earn interest		
Cash at bank	**908**	620
Net exposure to financial instruments that bear interest	**40,750**	40,308

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 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 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.

Notes to the Financial Statements continued

16 Financial Instruments continued

Currency exposure of financial assets

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

					2017
	investments held at fair value £'000	**portfolio exposure to long CFDs £'000**	**debtors £'000**	**cash at bank £'000**	**total £'000**
Financial assets held in yen	**221,792**	**42,325**	**569**	**908**	**265,594**

					2016
	investments held at fair value £'000	portfolio exposure to long CFDs £'000	debtors £'000	cash at bank £'000	total £'000
Financial assets held in yen	161,777	45,123	470	617	207,987

Currency exposure of financial liabilities

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

		2017
	other creditors £'000	**total £'000**
Financial liabilities held in yen	**714**	**714**

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

Other price risk

Other price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The 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 objective. The Portfolio Manager is responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk/reward profile. Other price risks arising from derivative positions, mainly due to the underlying exposures, are estimated using the Value at Risk and Stress Tests as set out in the Company's internal Derivative Risk Measurement and Management Document.

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 can be achieved by the use of a bank overdraft, if required.

Liquidity risk exposure

At 31 December 2017 the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £456,000 (2016: £424,000) and other creditors of £1,492,000 (2016: £721,000).

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. In accordance with the risk management process which the Manager employs, the Manager will seek to minimise such risk by only entering into transactions with counterparties which it believes to have an adequate credit rating at the time the transaction is entered into, by ensuring that formal legal agreements covering the terms of the contract are entered into in advance, and through adopting 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 2017, £1,250,000 (2016: £5,349,000) was held by brokers, in yen 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 unsettled security transactions, 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 2017, 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 £102,000 (2016: £101,000). 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 2017, a 10% strengthening of the 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 £24,079,000 (2016: £18,897,000). A 10% weakening of the 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 £29,431,000 (2016: £23,097,000).

Other price risk – exposure to investments risk sensitivity analysis

Based on the investments held and share prices at 31 December 2017, 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 £22,179,000 (2016: £16,178,000). 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 2017, 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 £4,233,000 (2016: £4,512,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Fair Value of Financial Assets and Liabilities

Financial assets and liabilities are stated in the Balance Sheet at values which are not materially different to their fair values. As explained in Note 2 (j) and (k) above, investments and derivative instruments are shown at fair value. In the case of cash and cash equivalents, book value approximates to fair value due to the short maturity of the instruments.

16 Financial Instruments continued

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.

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 (j) and (k). The table below sets out the Company's fair value hierarchy:

		2017		
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at fair value through profit or loss				
Investments	**220,886**	**-**	**906**	**221,792**
Derivative instrument assets	**-**	**1,123**	**-**	**1,123**
	220,886	**1,123**	**906**	**222,915**
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	**-**	**(456)**	**-**	**(456)**

		2016		
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss				
Investments	160,819	-	958	161,777
Derivative instrument assets	-	4,619	-	4,619
	160,819	4,619	958	166,396
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	-	(424)	-	(424)

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

	Year ended 31.12.17 level 3 £'000	Year ended 31.12.16 level 3 £'000
Beginning of the year	**958**	-
Purchases at cost	**-**	958
Foreign exchange movement	**(52)**	-
End of the year	**906**	958

17 Capital Resources and Gearing

The Company does not have any externally imposed capital requirements. The capital of the Company comprises its share capital and reserves, as disclosed on the Balance Sheet above, and its gearing which is managed through the use of long CFDs. Financial resources are managed in accordance with the Company's investment policy and in pursuit of its 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.

The Company's gearing at the end of the year is shown below:

	2017 portfolio exposure £'000	2016 portfolio exposure £'000
Investments	**221,792**	161,777
Long CFDs	**42,325**	45,123
Total Portfolio Exposure	**264,117**	206,900
Shareholders' Funds	**222,527**	166,405
Gearing[1]	**18.7%**	24.3%

1 Gearing is the amount by which the Portfolio Exposure exceeds Shareholders' Funds expressed as a percentage of Shareholders' Funds

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 ("FII"). Both companies are Fidelity group companies. Details of the fee arrangements are given in the Directors' Report on page 24 and in Note 4 on page 47. During the year fees for portfolio management services of £2,016,000 (2016: £1,597,000) and fees for secretarial and administration services of £47,000 (2016: £46,000) were payable to FII. At the Balance Sheet date, fees for portfolio management services of £562,000 (2016: £441,000) and fees for secretarial and administration services of £12,000 (2016: £12,000) were accrued and included in other creditors. FII also provides the Company with marketing services. The total amount payable for these services during the year was £67,000 (2016: £88,000). At the Balance Sheet date £6,000 (2016: £32,000) 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 32 and 33. The Directors received compensation of £123,000 (2016: £132,000). In addition to the fees and taxable benefits disclosed in the Directors' *Remuneration Report, this amount includes £10,000 (2016: £10,000) of employers' National Insurance Contributions paid by the Company.*

Financial Calendar

The key dates in the Company's calendar are:

31 December 2017 - Financial Year End
March 2018 - Announcement of the annual results for the Year Ending 31 December 2017
April 2018 - Publication of this Report
22 May 2018 - Annual General Meeting
30 June 2018 - Half-Year End
July/August 2018 - Announcement of the Half-Yearly results to 30 June 2018
August 2018 - 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
Shareholders and Fidelity Platform Investors should contact the appropriate administrator using the contact details given below and in the next column. Links to the websites of major platforms can be found online at **www.fidelityinvestmenttrusts.com**

Shareholders on the main share register
Shareholders should note that Capita Asset Services was acquired by Link Group and the new brand name is Link Asset Services. There is no change in the services offered to shareholders.

Contact Link 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: **enquiries@linkgroup.co.uk**

Details of individual shareholdings and other information can also be obtained online from the Registrar's Share Portal at **www.signalshares.com**. Shareholders are able to manage their shareholding online by registering for the Share Portal, a free and secure online access service. Facilities include:

Account Enquiry - Shareholders can access their personal shareholding, including share transaction history, dividend payment history and obtain an up-to-date shareholding valuation.

Amendment of Standing Data - Shareholders can change their registered postal address and add, change or delete dividend mandate instructions. Shareholders can also download forms such as change of address, stock transfer and dividend mandates as well as buy and sell shares in the Company.

Should you have any queries in respect of the Link Share Portal, contact the 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).

Link Share Dealing Service
Link Asset Services offer a low cost share dealing service to buy or sell shares. Further information is available at **www.linksharedeal.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 Link Share Dealing Service allows you to deal in the shares of other companies for which Link 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.

Fidelity Platform Investors
Contact 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/its**.

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

Financial advisers: call free on **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 361144**

Email: **investmenttrusts@fil.com**

Website: **www.fidelityinvestmenttrusts.com**

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.

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**.

Shareholder Information continued

Managers and Advisors

Alternative Investment Fund Manager
(AIFM/the Manager)
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130 Tonbridge Road
Hildenborough
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TN11 9DZ

Investment Manager, Secretary and Registered Office
FIL Investments International
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Independent Auditor
Ernst & Young LLP
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Lawyer
Charles Russell Speechlys LLP
5 Fleet Street
London
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Banker and Custodian
JPMorgan Chase Bank (London Branch)
125 London Wall
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EC2Y 5AJ

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

Financial Adviser and Stockbroker
Stifel Nicholaus Europe Limited
150 Cheapside
London
EC2V 6ET

Registrar
Link 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 share 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". It is also published in The Times and The Daily Telegraph. Price and performance information is also available at **www.fidelityinvestmenttrusts.com**.

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

Net Asset Value ("NAV") Information

The NAV of the Company is calculated on a daily basis and released to the London Stock Exchange on a daily basis.

Capital Gains Tax

All UK individuals under present legislation are permitted to have £11,300 *of capital gains in the current tax year* 2017/2018 (2016/2017: £11,100) before being liable for capital gains tax. Capital gains tax is charged at 10% and 20% dependent on the total amount of taxable income.