Fidelity Japanese Values PLC

Annual Report

For the year ended 31 December 2011

Fidelity
WORLDWIDE INVESTMENT

the currency of investing

Contents

Objective and Highlights

William Thomson,
Chairman

To achieve long term capital growth from an actively managed portfolio of securities primarily of small and medium sized Japanese companies listed or traded on Japanese stockmarkets

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

Performance (year to 31 December 2011)

Net Asset Value ("NAV") Total Return – undiluted	-6.2%
Ordinary Share Price Total Return	-8.3%
Russell Nomura Mid/Small Cap Index* (in sterling terms)	-9.3%
Equity Shareholders' Funds	£62.5m
Market Capitalisation	£52.1m
Capital Structure:	
Ordinary shares of 25p each	97,447,975
Subscription shares of 5p each	17,244,859

*The Company's Benchmark Index

Standardised Performance (on a total return basis %)

	01/01/2007 to 31/12/2007	01/01/2008 to 31/12/2008	01/01/2009 to 31/12/2009	01/01/2010 to 31/12/2010	01/01/2011 to 31/12/2011
NAV – undiluted	-16.2	-19.6	+3.7	+23.2	-6.2
Ordinary share price	-20.4	-28.6	+16.2	+18.0	-8.3

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

Financial Summary

		2011	2010	% change
Assets at 31 December				
Total portfolio exposure[1]		£77.02m	£79.19m	-2.7
Shareholders' funds		£62.54m	£65.49m	-4.5
Contracts For Difference ("CFDs") exposure		£18.22m	£16.63m	+9.6
NAV per share – undiluted		64.17p	68.44p	-6.2
NAV per share – diluted[2]		62.79p	66.21p	-5.2
Results for the year to 31 December – see page 33				
Revenue return/(loss) per ordinary share		0.02p	(0.30p)	
Capital (loss)/return per ordinary share		(4.06p)	13.19p	
Total (loss)/return per ordinary share		(4.04p)	12.89p	
Stock Market Data at 31 December				
Russell Nomura Mid/Small Cap Index (in sterling terms)		1.8288	2.0158	-9.3
Yen/£ exchange rate		119.572	126.982	+6.2
Ordinary share price	year end	52.50p	57.25p	-8.3
	high	63.25p	57.25p	
	low	47.75p	47.25p	
Discount – undiluted	year end	18.2%	16.4%	
	high	18.7%	20.2%	
	low	3.4%	12.7%	
Discount – diluted	year end	16.4%	13.5%	
Subscription share price	year end	5.70p	11.75p	-51.5
	high	14.75p	13.50p	
	low	5.20p	5.25p	
Returns for the year to 31 December				
NAV (undiluted) – total return[3]		-6.2%	+23.2%	
Ordinary share price – total return		-8.3%	+18.0%	
Russell Nomura Mid/Small Cap Index (in sterling terms)		-9.3%	+18.6%	
Total Expense Ratio[4]		1.98%	2.08%	

1 The total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs
2 The diluted net asset value is included in this report since the net asset value per ordinary share is greater than the exercise price of the subscription shares. Hence, if the subscription shares had converted at the year end date, the net asset value per ordinary share in issue would have been diluted
3 The change in the NAV – total return is different than the change in shareholders' funds because of the dilutive effect of the exercise of subscription shares during the year at an exercise price of less than the NAV per ordinary share
4 Operating expenses (excluding interest) before tax as a percentage of average shareholders' funds

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

Chairman's Statement

For the year ended 31 December 2011

The Year's Results: NAV (undiluted) 64.17p (-4.27p; -6.2%)

The ordinary share price: 52.50p (-4.75p; -8.3%)

The subscription share price: 5.70p (-6.05p; -51.5%)

Discount: 18.2% (16.4% in 2010)

PERFORMANCE REVIEW

Over the year to 31 December 2011, your Company's net asset value fell by 4.27p per share to 64.17p per share. The discount, although high, remained relatively stable. The decline in value was primarily due to market performance (-9.97p per share), and gearing detracted a further 1.31p. Although your Manager's stock selection added 3.74p per share and the yen's appreciation against the sterling pound accounted for an additional 3.70p per share, these could not fully offset the negative market performance.

The decline in net asset value of 6.2% during 2011 represented an outperformance of 3.1% relative to the Benchmark Index, the Russell Nomura Mid/Small Cap Index (when expressed in sterling). Your Company's outperformance relative to its Benchmark was largely attributable to holdings in the domestic consumer sector, which is relatively insulated from a global economic downturn. The emphasis on internet related consumer services was particularly rewarding. Rapid penetration of smartphones and tablet PCs created new business opportunities such as social networking and gaming services. Elsewhere, niche producers of high end electronic materials and components used for smartphones and fuel efficient vehicles fared well as they continued strong quarterly earnings. Conversely, the Company's exposure to semiconductor component producers detracted from relative performance due to weakening end demand for PCs and yen appreciation.

MARKET REVIEW

In 2011, global financial markets were shaken by a series of natural disasters and geopolitical shocks throughout the year. The Japanese earthquake and the nuclear disaster in March, the Arab Spring uprisings, increased concerns about the US and Eurozone debt crises in August and the floods in Thailand in October precipitated a global flight to safety. Liquidity in global equity markets quickly dried up, while bond yields continued to decline.

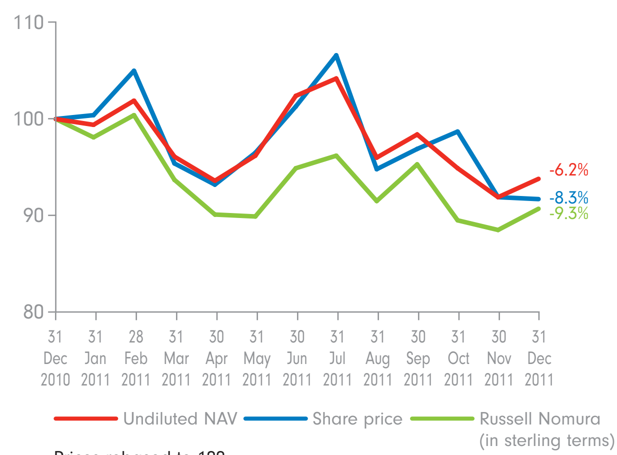
The Japanese equity market plummeted in the immediate aftermath of the earthquake in March. We saw a widening of the return gap between sectors. This reflected the steep declines suffered by power utilities and other companies directly impacted by the disaster. Japanese equities staged a strong rebound towards the beginning of July, as better than expected domestic macroeconomic data underscored the resilience of Japanese companies in overcoming supply chain disruptions and restoring production. This early summer rally, however, was shortlived, as investor sentiment gave way to fears of contagion from the Greek debt crisis. After the summer, weak market sentiment was compounded by the yen's postwar high and disruptions to global supply chains caused to many Japanese companies by the floods in Thailand.

Against the backdrop of the Eurozone debt crisis, financials suffered the steepest declines in 2011. On the other hand, defensive segments, notably consumer staples such as foods and agricultural products, held up well. Retailers successfully implementing restructuring or overseas expansion strategies also outperformed.

Overseas investors, who typically account for more than 60% of market turnover, were net buyers of Japanese stocks in 2011. However, the bulk of purchases were concentrated in the first half of the year, particularly in the period immediately following the March earthquake. As anxiety about the European debt crisis intensified, overseas investors pared back risk assets and sold

Attribution Analysis	Year ended 31 December 2011 (pence)
NAV at 31 December 2010 (undiluted)	68.44
Impact of the Index (in yen terms)	-9.97
Impact of Index Income (in yen terms)	1.20
Impact of Stock Selection	3.74
Impact of Gearing	-1.31
Impact of Exchange Rate	3.70
Impact of Charges	-1.34
Impact of Share Issues	-2.11
Cash/Residual	1.82
NAV at 31 December 2011 (undiluted)	64.17

Performance for the year to 31 December 2011



Prices rebased to 100

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

Chairman's Statement

more than 2 trillion yen of Japanese equities in the second half of 2011, contributing to a fall in share prices. Domestic financial institutions continued to unwind shareholdings, but this was offset by significant corporate buybacks and modest buying by individuals in search of yield. With around 70% of the Japanese market (as measured by TOPIX) trading below book value and cash reserves at an historical high, share buybacks conducted by non-financial corporations reached a post-2008 high.

GEARING

The Company gears through the use of Contracts For Difference ("CFDs"). Total portfolio exposure was £77.02m as at the year end, equating to gearing of 123.2% (see page 51 for further details). Using CFDs continues to provide more flexibility for the Company's needs at a much lower cost than traditional bank debt.

THE BOARD

As well as focusing on the strategy of the Company, your Board continues to monitor corporate governance issues, reviewing and updating processes as appropriate.

Having been on the Board for more than nine years, Nicholas Barber is subject to re-election at the forthcoming Annual General Meeting. He has been a most diligent member of the Board and has discharged his duties as Senior Independent Director conscientiously. The Board recommends to shareholders that they vote in favour of the proposal. Nicholas has announced his intention to step down from the Board at the end of December 2012 as the final stage of the phased change in Board composition.

Simon Fraser will seek re-election at the forthcoming Annual General Meeting.

I am stepping down from the Board at the conclusion of the business of this year's Annual General Meeting and am therefore not seeking re-election. Having joined the Board in 1997 and become Chairman at the end of 2004 I have to say it has been a somewhat frustrating time. The level of the Index is much the same as in 2003 due to a fundamental lack of confidence in the Japanese market but in the most recent years it is satisfying that our Manager has been outperforming the Benchmark. I would like to thank my colleagues on the Board and in Fidelity for their dedication and support.

David Robins, who joined the Board on 1 February 2011, will be appointed as Chairman of the Board at the same time as I retire from the Board. I have every confidence that he will do an excellent job as he has experience of having lived in Japan as well as a considerable exposure to the investment trust arena.

As detailed in the biographies on page 14 the Directors have a wide range of appropriate skills and experience to make up a balanced Board for your Company.

I have, together with representatives of the Manager (including Shinji Higaki) and the Company's broker, continued to hold meetings with a number of shareholders during the year.

SUBSCRIPTION SHARES

The rights attaching to a total of 1,763,455 subscription shares were exercised in respect of the year ended 31 December 2011, at which point the total number of subscription shares in issue was 17,244,859. Since the year end the rights attaching to a further 4,188 subscription shares have been exercised. The final date for exercising the rights attached to the subscription shares is 28 February 2013. Further details on the subscription shares may be found in the Directors' Report on page 19.

SHARE REPURCHASES

Purchases of ordinary and subscription shares for cancellation are made at the discretion of your Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Share repurchases will only be made when they will result in an enhancement to the net asset value of ordinary shares for the remaining shareholders. In past years share repurchases have been used sparingly due to their impact on liquidity and gearing. Your Board continues to believe that the ability to repurchase shares is a valuable tool and therefore a resolution to renew your Company's authority to repurchase shares will be proposed at the forthcoming Annual General Meeting.

ANNUAL GENERAL MEETING – 10 MAY 2012

The Annual General Meeting will be held at midday on 10 May 2012 at Fidelity's offices at 25 Cannon Street in the City of London and all investors are encouraged to attend. It is the one occasion in the year when shareholders can meet the Directors and the Portfolio Manager. At the meeting the Portfolio Manager will give a presentation on the past year and the prospects for the current year.

OUTLOOK

Following a series of extreme events, Japanese equities were clear laggards among major markets in 2011. The debt crises in Europe and currency fluctuations are likely to remain key risks factors in 2012. However, economic and earnings growth forecasts for Japan compare favourably with those for most industrialised countries and there is the potential for share prices to catch up with their global peers.

Sentiment among Japanese companies remains low in light of a persistently strong yen, but post-quake reconstruction demand from both the public and private sectors is expected to cushion against external headwinds in the first half of 2012. Furthermore, we are seeing some signs of improvement in US economic indicators, and China has started to shift away from its policy of monetary tightening. As demand conditions – both domestic and overseas – improve and Japanese companies regain ground lost in 2011, corporate earnings should see a firm recovery through 2012.

Japanese equities continue to look cheap against a wide range of measures. The market is good value relative to its own long term history on asset and earnings based metrics such as price to book and cyclically adjusted price to earnings ratios. Interestingly, a number of Japanese sectors are the cheapest globally. The Japanese market has finally worked off its valuation premium and now compares very favourably with its own long term history and its global peers on virtually all main measures.

In the current environment, we need to differentiate undervalued stocks from value traps. The key is to continue to be selective and to seek out those quality companies that are well managed but ~~about~~ which the market, for whatever reason, has become unjustifiably negative.

William Thomson
Chairman
16 March 2012

Manager's Review

FIL INVESTMENTS INTERNATIONAL
The Company is managed by FIL Investments International (which is authorised and regulated by the Financial Services Authority). FIL Investments International is part of the FIL Limited group which, as at 31 December 2011, had total assets under management exceeding £135.3 billion.

SHINJI HIGAKI
Shinji Higaki has been managing the Company's portfolio since September 2007. He also manages retail Japanese smaller companies funds and Japanese domestic institutional mandates. He joined Fidelity in 1999 as an equity research analyst, prior to which he was employed as an auditor of Chuo Audit Corporation in Tokyo. He has an MBA from the London Business School and a Bachelor of Arts from Keio University.

The net asset value of the Company fell by 6.2% compared with a 9.3% decline in the Russell Nomura Mid/Small Cap Index (all figures in sterling terms).

2011 was a turbulent year for the Japanese equity market filled with unprecedented events including the Great East Japan earthquake, the subsequent nuclear power plant disaster in Fukushima, the sovereign debt crisis in Europe, the yen's rise to a ~~post war~~ high, and the supply chain disruptions caused by the Thai floods.

The post-earthquake impact on the market eased off by early August, as industrial production recovered to 95% of its immediate pre-quake level and the Japanese corporate earnings revision index reached its post-quake peak. However, the European debt crisis started to fuel risk aversion among international investors.

In the absence of any significant domestic incentives, external factors dictated the path of Japanese stocks after the summer, and in the fourth quarter of 2011 share prices hit a low for the year amid mounting concerns about the European debt crisis and persistent yen strength. Despite strong rallies in overseas markets, the investment environment remained uncertain.

In 2011, financials suffered the steepest declines due to external macroeconomic factors and selling by foreign investors. Sagging equity prices, falling interest rates, and moves towards tighter capital controls all weighed on the sector. Increased aversion to credit risk and a pick up in office vacancy rates hurt real estate related names. Securities and insurance stocks also fared poorly. Meanwhile, power utilities continued to struggle with the after effects of the Fukushima nuclear disaster. Materials companies faced lower capacity utilisation rates and declining spreads. Conversely, domestic consumer stocks in the food and retail sectors outperformed the broad market. Resource related stocks in the energy and industrials segments also performed well. Refiners benefited from reductions in supply capacity, whilst upstream names mirrored gains in crude oil prices.

During the year, small cap stocks fared better than large cap stocks. Internet based consumer services and mobile communication services led the small cap outperformance. While investors shied away from blue chip exporters and mega cap banks, they sought a haven among Japanese domestic consumer related small cap stocks that are relatively insulated from a global economic downturn.

PORTFOLIO REVIEW

Many of the Company's top holdings, where the Portfolio Manager maintained strong convictions, performed well and contributed to outperformance. A stock selection strategy with an emphasis on fast growing internet based consumer services continued to pay off. Last year's leading contributor M3 was the best performer in the portfolio for the second consecutive year. M3's online pharmaceutical information services to medical doctors are expanding in the US. Its launch in the UK market has also gained momentum through an acquisition of a UK based healthcare research firm, Doctors.net.uk. The second largest contributor was Bit-Isle, which operates internet data centres. Its strong earnings growth and an increase in dividends boosted investors' confidence in the firm. Other internet based consumer service providers including GMO Payment Gateway (online account settlement services), Kakaku.com (price comparison and restaurant search engine) and CyberAgent (advertising and blog services) also added significant value.

Elsewhere, a holding in Maruwa, producer of electronic ceramic components, aided performance and continued to demonstrate robust quarterly earnings growth. The firm's growth driver is EMC (electro magnetic compatibility) products used for NFC (near field communication) compatible smartphones. NFC based payment services are gaining traction in the US, and so are the sales of NFC compatible mobile devices. Maruwa is expected to benefit from a global diffusion of NFC based payment services and higher penetration of smartphones.

On the other hand, one of the prior year's best performers, Takata, fell on concerns about global automobile production. Takata produces airbags and seat belts. Despite an earnings slowdown due to disruptions in the global automobile supply chain, the Portfolio Manager believes Takata should return to its growth path in 2012. Stocks selected in the electrical machinery sector also struggled. Semiconductor and electronic component producers sustained sharp declines due to weakening end demand for PCs and disappointing sales of Nintendo's 3DS. The Portfolio Manager sold out of positions in Elpida Memory, Megachips and Mitsumi Electric.

Stocks selection strategy has not changed over the year with particular emphasis on fast growing internet based services, new technology catering for fuel efficient vehicles and factory automation.

An overweight exposure to mid/small cap internet based service providers was maintained. Key holdings in this area were M3 and GMO Payment Gateway. Despite strong share price appreciation over the last two years, M3's valuations are not demanding, as it continues to grow earnings faster than expected with a solid increase in its average annual revenue per user. GMO Payment Gateway provides online payment and settlement services. Its strong earnings growth is driven by an expansion of the ecommerce and SNS (social networking services) market in Japan.

Among automobile related names, as well as Takata, other key holdings are JSP and Sekisui Chemical. JSP manufactures polystyrene materials for auto parts and Sekisui Chemical produces interlayer films for laminated glass for automobiles. These companies' niche products are in high demand as automobile makers try to improve fuel efficiency by lowering the weight of cars.

Within the technology sector, the Portfolio Manager sold out of semiconductor related electronic component makers, as there remain downside risks to global demand for PCs and game consoles. However, overweight positions in factory automation equipment makers including Sanyo Denki and Fanuc were maintained, as they stand to benefit from Chinese companies' strong capital spending.

Outside the key stock selection themes, apparel retailers Fast Retailing and Honeys ranked in the top 20 overweight positions. Although the retail sector is underweight relative to the benchmark, the Portfolio Manager sees growth potential in these companies that are expanding their franchise in overseas markets. FAST Retailing owns an apparel brand "UNIQLO" which is gaining popularity in other developed markets such as the US and Europe, while Honeys is growing rapidly in China.

OUTLOOK

In the near term, the Japanese market is likely to remain vulnerable to concerns about the sovereign debt crisis in the Eurozone and the pace of recovery in the US and China. However, the current market offers excellent opportunities to invest in companies whose long term growth potential is not reflected in their share prices.

Despite macro economic headwinds, at the microeconomic level Japanese companies have seen a significant improvement in earnings and profitability. They have strengthened their earnings base, improved cost efficiencies and appear to have become more accustomed to coping with persistent yen appreciation. They have also increased their overseas presence, particularly in Asia, adapting to sluggish domestic demand and structural shifts in the global economy.

Meanwhile, cash reserves at listed Japanese companies have risen to record highs and free cash flow generation has improved significantly. This has served to allow companies to enhance shareholder returns through buybacks and rising dividends. Moreover companies have been seeking to capitalise on the strength of their balance sheets and the yen to acquire businesses overseas. This strategy has been supported further by the recent expansion of the government's foreign investment loan programme, which is aimed at curbing yen strength by getting Japanese companies to increase their foreign currency assets. In 2011 (through to the end of November), Japanese companies made 5.75 trillion yen of overseas acquisitions, a 53% increase on the same period a year ago.

In 2011, the Portfolio Manager conducted more than 900 company meetings. The first hand information gained from these meetings convinced him that the fiscal year ending March 2012 will be the bottom of the earnings cycle and that we are likely to see a healthy earnings recovery through to 2013.

The Portfolio Manager believes that the three key areas of long term growth – internet services, factory automation and new technology for automobiles – will continue to provide attractive investment opportunities and so should represent a large part of the portfolio. At the same time the Portfolio Manager will continue to visit as many companies as possible to uncover new investment ideas that are overlooked and underappreciated by the market.

FIL Investments International
16 March 2012

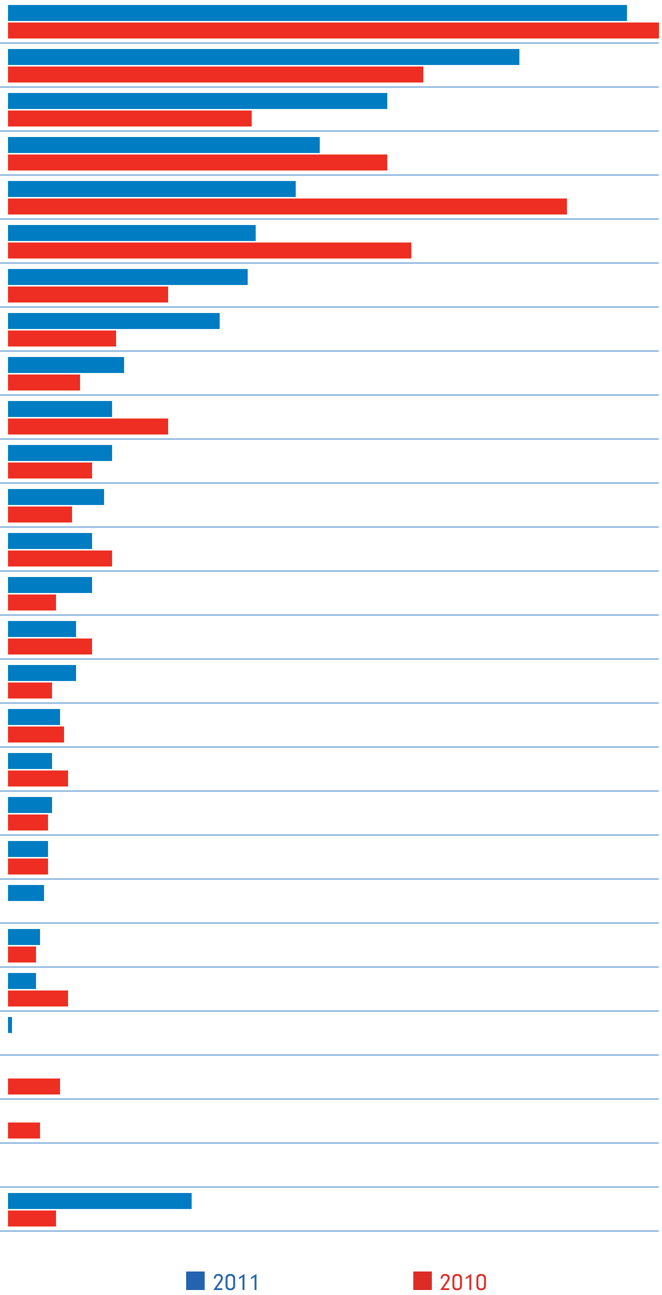
Ten Largest Investments

Ten Largest Investments (including derivatives) as at 31 December 2011 (The Full Portfolio Listing is set out on pages 49 to 51)	Exposure £'000	Fair value[1] £'000	Total exposure %[2]
Sekisui Chemical (CFD) Engaged in housing construction and materials, high performance plastic segments and flat panel displays	3,080	512	3.8
M3 (CFD) Medical related internet service provider	2,827	1,091	3.5
CyberAgent Internet media company	2,722	2,722	3.4
Bit-Isle Information technology company	2,534	2,534	3.1
Takata (CFD) Developer and manufacturer of safety products for automobiles	2,296	(715)	2.8
Maruwa Manufacturer of ceramic electronic components	2,072	2,072	2.6
GMO Payment Gateway Engaged in the provision of payment processing services	1,995	1,995	2.5
Sumitomo Rubber (CFD) Producer of a wide range of rubber based products	1,721	50	2.1
Fast Retailing (CFD) Holding company primarily engaged in the clothing business	1,706	(1)	2.1
JSP Manufacturer of a wide range of foamed plastic products	1,575	1,575	2.0
Ten Largest Investments (2010: 23.4%)	22,528	11,835	27.9
Other Investments (2010: 75.4%)	54,495	46,963	67.5
Total Portfolio (including derivatives)	77,023	58,798	95.4
Cash and other net current assets (2010: 1.2%)	3,737	3,737	4.6
	80,760	62,535	100.0

1 Fair value represents the carrying value in the Balance Sheet on page 35
2 % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs, plus cash and other net current assets (see the Full Portfolio Listing on pages 49 to 51 for further details)

Distribution of the Portfolio as at 31 December 2011

Investments (including derivatives)	2011 %[1]	2010 %[1]
Chemicals	15.5	16.3
Services	12.8	10.4
Information & Communications	9.5	6.1
Machinery	7.8	9.5
Electrical Machinery	7.2	14.0
Transport Equipment	6.2	10.1
Retail Trade	6.0	4.0
Glass & Ceramics	5.3	2.7
Wholesale Trade	2.9	1.8
Banks	2.6	4.0
Non-ferrous Metals	2.6	2.1
Precision Instruments	2.4	1.6
Real Estate	2.1	2.6
Rubber Products	2.1	1.2
Steel Products	1.7	2.1
Insurance	1.7	1.1
Metal Products	1.3	1.4
Construction	1.1	1.5
Textiles & Apparel	1.1	1.0
Land Transportation	1.0	1.0
Pharmaceuticals	0.9	–
Other Financing Business	0.8	0.7
Other Products	0.7	1.5
Pulp & Paper	0.1	–
Foods	–	1.3
Securities	–	0.8
Cash and other net current assets	4.6	1.2
Total	**100.0**	**100.0**



1 % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs, plus cash and other net current assets

Summary of Performance

Historical Record as at 31 December	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Total portfolio exposure (£m)[1]	77	79	68	75	79	92	137	86	76	59	71
Shareholders' funds (£m)	63	65	53	51	65	78	121	70	59	42	54
NAV per share (p) – undiluted	64.17	68.44	55.56	53.58	66.67	79.59	123.56	71.26	60.42	42.82	53.12
NAV per share (p) – diluted	62.79	66.21	55.47	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ordinary share price (p)	52.50	57.25	48.50	41.75	58.50	73.50	130.25	61.75	51.00	35.00	41.25
Warrant price (p)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.35	1.50	7.50
Subscription share price (p)	5.70	11.75	8.28	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
(Discount)/premium to NAV % – undiluted	(18.2)	(16.4)	(12.7)	(22.1)	(12.3)	(7.7)	5.4	(13.3)	(15.6)	(18.3)	(22.3)
(Discount)/premium to NAV % – diluted	(16.4)	(13.5)	(12.6)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Revenue return/(loss) per ordinary share (p)	0.02	(0.30)	(0.73)	(0.12)	(0.49)	(0.68)	(1.02)	(0.89)	(0.65)	(0.69)	(1.22)
Dividend per ordinary share (p)	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil
Cost of running the Company (total expense ratio) (%)	1.98	2.08	2.17	1.98	1.65	1.46	1.83	1.83	1.93	1.63	1.93
Gearing %[2]	123.2	120.9	103.8	128.5	120.7	116.9	111.5	122.0	122.6	132.6	128.2
NAV per share performance (%) – undiluted	-6.2	+23.2	+3.7	-19.6	-16.2	-35.6	+73.4	+17.9	+41.1	-19.4	-23.9
NAV per share performance (%) – diluted	-5.2	+19.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ordinary share price performance (%)	-8.3	+18.0	+16.2	-28.6	-20.4	-43.6	+110.9	+21.1	+45.7	-15.2	-35.3

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

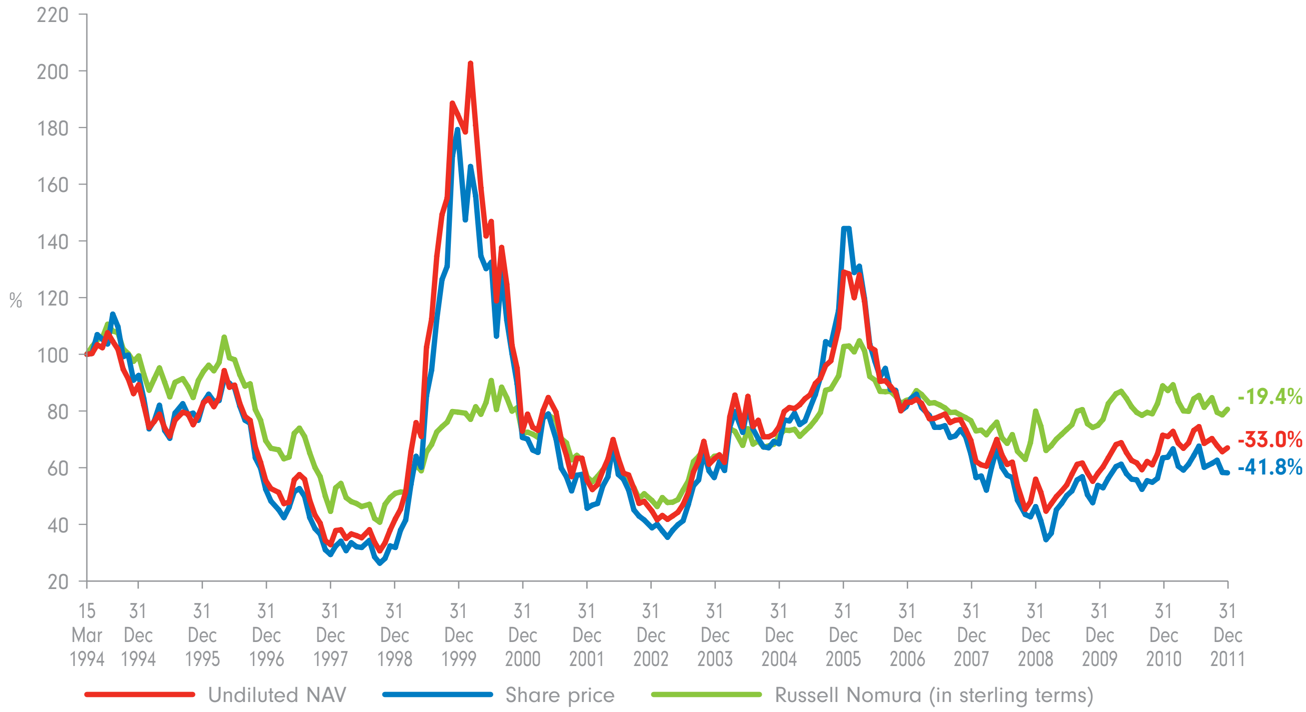
2 Total portfolio exposure as a percentage of total net assets. The amounts prior to 2009 represent total assets less cash and creditors, excluding bank loans, as a percentage of total net assets

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

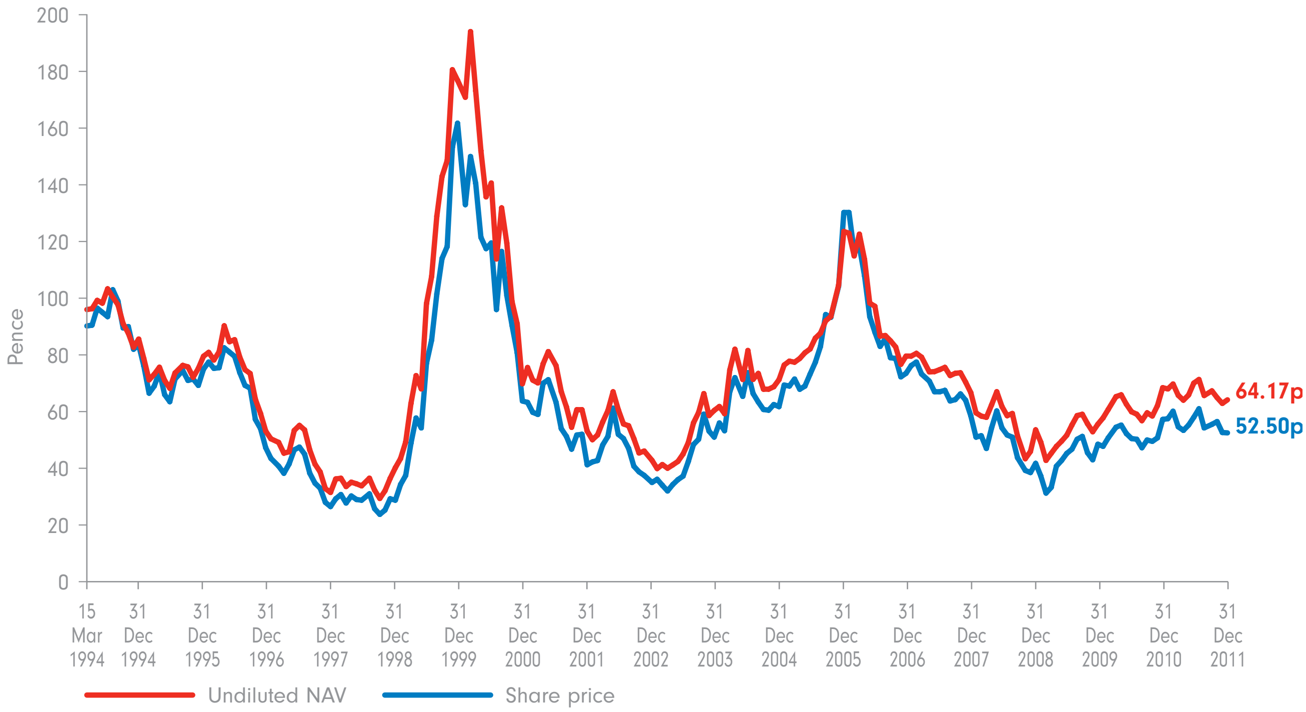
Summary of Performance

Total return performance from launch to 31 December 2011



Prices rebased to 100

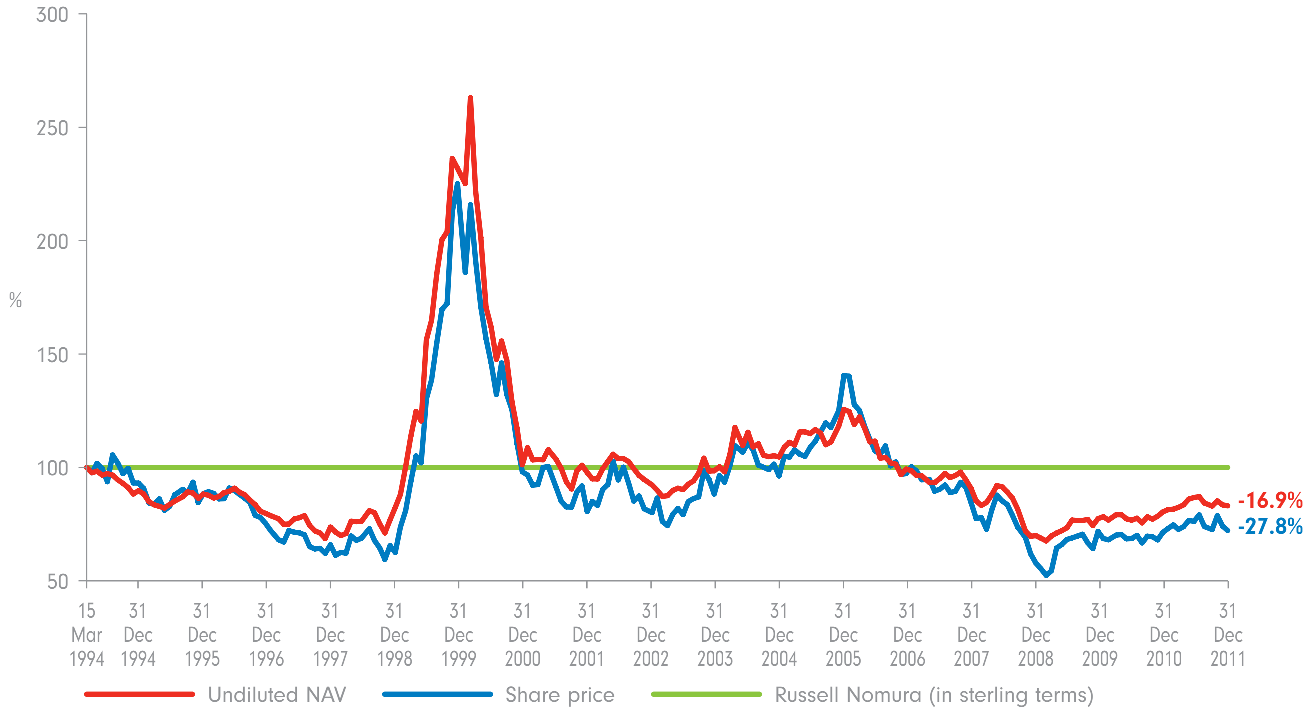
NAV and share price in pence from launch to 31 December 2011



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

Summary of Performance

Total return performance relative to the index from launch to 31 December 2011



Prices rebased to 100

Share price (discount)/premium to NAV from launch to 31 December 2011

Based on figures at month end only

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

Corporate Information

Manager, Secretary and Registered Office
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London
EC4A 3LX

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

PRICE INFORMATION

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

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

NAV INFORMATION

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

CAPITAL GAINS TAX

Your Directors have been advised that, for the purposes of calculating an investor's possible liability to capital gains tax, the base cost of ordinary shares and warrants, acquired at the time of the Company's launch, is 90.21p. All UK individuals under present legislation are permitted to have £10,600 of capital gains in the current tax year 2011/2012 (2010/2011: £10,100) before being liable for capital gains tax. Capital gains tax is charged at 18% and 28% dependant on the total amount of taxable income.

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

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

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

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

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

Board of Directors

William Thomson[1]
(Chairman) (Date of appointment: 1 May 1997, date of appointment as Chairman: 31 December 2004) is Chairman of E G Thomson (Holdings) Limited. This business is primarily involved in the provision of shipping agency services in Asia. He will retire from the Board after the Annual General Meeting.

Nicholas Barber, CBE[1]
(Senior Independent Director) (Date of appointment: 4 December 2000; appointed as Senior Independent Director: 10 March 2005) is Chairman of Bolero International Limited. His executive career was with Ocean Group plc (later Exel PLC), with whom he spent a year in Japan; he was Group Chief Executive from 1986 to 1994.

Sir Laurence Magnus[1]
(Chairman of the Audit Committee) (Date of appointment: 1 October 2010; appointed as Chairman of the Audit Committee: 12 May 2011) is a Senior Advisor to Evercore Partners, the US owned corporate finance advisory business, Deputy Chairman of The National Trust and a director or trustee of a number of private companies and charities. Previously, Sir Laurie worked for Samuel Montagu & Co Limited (HSBC Investment Bank) in a corporate finance advisory capacity, including a number of years spent in Singapore with responsibilities in South East Asia. He was subsequently, in succession, a director of Phoenix Securities, a Managing Director of Donaldson, Lufkin and Jenrette and a Managing Director of Credit Suisse First Boston before joining Lexicon Partners in 2001, initially as Deputy Chairman and subsequently as Chairman prior to its merger with Evercore. He is Chairman of J.P. Morgan Income & Capital Trust PLC and a director of The Cayenne Trust PLC and Pantheon International Participations plc.

Simon Fraser[2]
(Date of appointment: 11 May 2000) spent 27 years at Fidelity but retired from his executive responsibilities at the end of 2008. He started his career at Fidelity in 1981 as an analyst and spent a number of years in Japan, most recently as Chief Investment Officer for the Asia/Pacific region. He returned to the UK in 1999 to take up the position of Chief Investment Officer for Fidelity International, a position he held until 2005. He was the Portfolio Manager for Fidelity Japanese Values PLC from its launch in 1994 until August 1997. He is Chairman of Foreign and Colonial Investment Trust plc and Merchants Trust plc. He is also a director of Barclays PLC, Barclays Bank PLC, Ashmore Group plc and Fidelity European Values PLC.

Philip Kay[1]
(Date of appointment: 29 October 2004) is a former Managing Director and Senior Advisor of Credit Suisse First Boston where he ran the global Japanese cash equity business. He is a director of a Japanese hedge fund, Akamatsu Fund, and was previously a director of Schroder Securities Limited and of Smith New Court PLC.

David Miller, OBE[1]
(Date of appointment: 29 October 2004) is a director of FBG Investment Limited and a number of other unquoted companies. He was with Robert Fleming Group from 1972 to 1991, was resident in Japan for nearly eight years and was head of the Fleming group's Tokyo office.

David Robins[1]
(Date of appointment 1 February 2011) is Chairman of Oriel Securities Limited, the privately owned corporate and institutional stockbroking and advisory firm and of Henderson TR Pacific Investment Trust plc. In addition he is Chairman of the Governors of Eltham College and Chairman of the Hackney Empire Limited. Previously, David was Chairman and Chief Executive of ING Barings following a number of years with UBS, most recently as Executive Vice President Europe and Chief Operating Officer Region Europe having spent several years in Zurich, New York and Tokyo. Prior to this he was, in succession, a Japanese Economist at the Bank of England, an Executive in the Japanese department of James Capel and then Far Eastern Economist and subsequently Chief International Economist at Philips and Drew. David began his career with the Commonwealth Bank in Sydney.

1 Member of the Audit, Management Engagement and Nomination Committees
2 Member of the Audit and Nomination Committees

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2011. The Company was incorporated in England and Wales as a public limited company on 7 January 1994 under the name of Savemargin Public Limited Company with the registered number 2885584.

STATUS

The Company carries on business as an investment trust and was granted approval as such by HM Revenue & Customs under Section 1159 of the Corporation Tax Act 2010 for the year ended 31 December 2010. This approval may be subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The Directors are of the opinion that, since that date, the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under that Section.

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

BUSINESS REVIEW

INTRODUCTION

The Company is required to present a "Business Review", which provides a fair review of the Company and a description of the principal risks and uncertainties faced and includes an analysis of the performance of the Company, both during the financial year and the position at the year end, taking into account its objective, strategy and risks and how these are measured using Key Performance Indicators ("KPIs").

OBJECTIVE & STRATEGY

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

ACTIVITY

The Company's activity is to pursue the objective through operating as an investment trust company. A review of the year's activities and an indication of likely future developments and the factors likely to affect this are given in the Chairman's Statement on pages 3 to 5 and in the Manager's Review on pages 6 and 7. The Board supports these views.

INVESTMENT POLICY

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

The Company is permitted to invest up to 30% of its assets (at the time of acquisition) in equity-related and debt instruments. The Company may also invest in derivatives for efficient portfolio management to protect the portfolio against market risk. However, any such investment would normally be at a low level and the Company invests primarily in shares.

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

A maximum of 15% of the Company's total assets may be invested in the securities of other investment trust companies. As at 31 December 2011 there were no such holdings in the Company's portfolio (2010: nil).

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

The Company's policy is to be geared in the belief that long term investment returns will exceed the costs of gearing. This gearing is obtained through the use of borrowing and/or through the use of CFDs to obtain exposure to Japanese equities selected by the Manager. The effect of gearing is to magnify the consequence of market movements on the portfolio and if the portfolio value rises the NAV will be positively impacted, but if it falls the NAV will be adversely impacted. The Board is responsible for the level of gearing in the Company and reviews the position on a regular basis. The aggregate exposure of the Company to Japanese equities, whether held directly or through CFDs, will not exceed 130% of shareholders' funds at the time at which any CFD is entered into or a security acquired. The Board also intends that the exposure will not exceed 140% at any other time unless exceptional circumstances exist.

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

The investment in Japanese equities achieved through borrowings and/or CFDs will be subject to the acquisition limits set out above and such amounts will not exceed 30% of shareholders' funds at the time of the exposure. Generally, the maximum that the Company will hold in cash will be 25% of the total value of the Company's assets, but this limit will not include any cash or cash

Directors' Report

equivalent paid as collateral for unrealised losses on CFDs. In practice the cash position will normally be much lower.

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

Details of the Company's ten largest investments can be found on page 8, and the full portfolio listing can be found on pages 49 to 51.

FIDELITY'S INVESTMENT MANAGEMENT PHILOSOPHY, STYLE AND PROCESS

Fidelity's distinctive investment approach is "bottom up" stock picking – investing in companies on the basis of their underlying strengths, facilitated by extensive research capabilities. Fidelity Worldwide Investment has more than 175 analysts and research associates, including 27 based in Tokyo with a hands-on approach to knowledge accumulation. Fidelity's analysts evaluate companies, meet their management and workforce and interpret the effects of international and local events. They contact hundreds of companies every week. This first hand research is fundamental to Fidelity's ability to seek the success stories of the future. Portfolio managers work closely with the Fidelity analyst team and also have access to a wide range of research produced by third parties. (Data as at 31 December 2011).

KEY PERFORMANCE INDICATORS ("KPIs")

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

	Year ended 31 December 2011	3 Years ended 31 December 2011	5 Years ended 31 December 2011
Net Asset Value Return (undiluted)	-6.2%	+19.8%	-19.4%
Ordinary Share Price Return	-8.3%	+25.7%	-28.6%
Russell Nomura Mid/Small Cap Index Return (in sterling terms)	-9.3%	+0.8%	-3.7%

The Directors also monitor the various factors contributing to investment results, as set out in the attribution analysis below (all data in pence per share):

ATTRIBUTION ANALYSIS

	Year ended 31 December 2011 (pence)
NAV (undiluted) at 31 December 2010	68.44
Impact of the Index (in yen terms)	-9.97
Impact of Index Income (in yen terms)	1.20
Impact of Stock Selection	3.74
Impact of Gearing	-1.31
Impact of the Exchange Rate	3.70
Impact of Charges	-1.34
Impact of Share Issues	-2.11
Cash/Residual	1.82
NAV (undiluted) at 31 December 2011	64.17

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

- Investment performance compared to the Company's peer group
- The level of gearing
- The Company's total expense ratio
- The discount or premium of the Company's ordinary share price to net asset value

Directors' Report

PRINCIPAL RISKS AND UNCERTAINTIES

The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the internal controls process, identifies the key risks that the Company faces. The matrix has identified strategic, marketing, investment management, company secretarial and other support function risks. These risks are identified and graded. The Board reviews and agrees policies for managing these risks. This process, together with the policies and procedures for the mitigation of risks, is updated and reviewed regularly in the form of comprehensive internal controls reports considered by the Audit Committee in accordance with the FRC's "Internal Control: Revised Guidance for Directors". The Board also determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

The Board considers the following as the major specific risks facing the Company:

Top Risks	Risk Mitigation
Poor management of assets or under performance for several years in succession	The Company has a clearly defined strategy and investment remit. Performance is reviewed at each Board meeting, including performance attribution and income forecasts. There is a clearly defined management agreement, and borrowing/derivative limits are also set by the Board. The portfolio is managed by a highly experienced Portfolio Manager. The Investment Management team supports the Portfolio Manager, and the Head of Equities Japan and the Board review performance regularly.
Loss of reputation in the market place	The Company's reputation may be damaged through consequences such as poor investment performance, evident non-compliance with corporate governance rules and practice or regulatory censure. The Board performs reviews of such risks on a periodic basis.
Mismanagement of shareholder relationships	The Board reviews the Company's performance, including performance attribution, at each Board meeting. A premium/discount policy is in place and regular dialogue is undertaken with shareholders.
Security of the Company's assets	There is an effective and appropriate segregation of duties in place. The Portfolio Manager is not able to trade on behalf of the Company and does not have access to trading systems. All trades are carried out by Fidelity's Trading Desk. This Trading Desk deals only with approved counterparties and these continue to be reviewed with respect to the possible impacts of the Eurozone crisis. The Trading Desk does not settle trades or have contact with the independent Custodian. These are handled by the Investment Services department. The Custodian safeguards the Company's assets which are held in the name of the nominee of the Custodian and segregated from other assets. The Association of Investment Companies ("AIC") published guidance to boards in 2011 in relation to custody risks. The Company's policy is to comply with these guidelines.
Regulatory change	Regulatory change is one of the most significant areas of risk, with a number of prospective regulations potentially impacting the operation of the Company together with the risk of increased costs. This includes the Alternative Investment Fund Managers ("AIFM") Directive. The processes the Company uses to manage regulatory change initiatives continue to operate effectively.

Directors' Report

Further risks identified within the matrix are:

Market risk

The Company's assets consist mainly of listed securities and the principal risks are therefore market related such as market recessions, interest rate movements, deflation/inflation, terrorism and protectionism. Risks to which the Company is exposed and which form part of the market risks category are included in Note 16 to the financial statements on pages 45 to 48 together with summaries of the policies for managing these risks. These comprise: market price risk (including other price risk; interest rate risk and foreign currency risk); liquidity risk; counterparty risk, credit risk and derivative instruments risk.

The Company has geared investment exposure through the use of CFDs. There were no loan facilities in place during 2011 and the extent to which any loan facilities will be renewed will be kept under the most careful scrutiny. A day to day overdraft facility can be used if required. The impact of limited finance from counterparties including suppliers has not affected the Company to date, however there are alternative suppliers available in the market place should the need arise.

Investment management risk

The Board relies on the Manager's skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors. The Board reviews the performance of the asset value of the portfolio against the Company's benchmark and competitors and the outlook for the market with the Manager at each Board meeting. The emphasis is on long term investment performance and the Board accepts that by targeting long term results the Company risks volatility in the shorter term.

Share price risk

The Board is not able to control the prices at which the Company's ordinary and subscription shares trade; they may not reflect the value of the underlying investments. However, it can have a modest influence in the market by maintaining the profile of the Company through an active marketing campaign and, under certain circumstances, through repurchasing shares.

Currency risk

The Company's total return and balance sheet are affected by foreign exchange movements because the Company has assets and income which are denominated in yen whilst the Company's base currency is sterling. While it is the Company's policy not to hedge currency, the fact that borrowings by way of CFDs are in yen means that part of the investment portfolio funded by borrowing is naturally hedged against changes in the yen:sterling exchange rate. Further details can be found in Note 16 to the financial statements on pages 45 to 48.

Counterparty risk

The Company relies on a number of main counterparties, namely the Manager, Registrar and Custodian. The Manager is the member of a privately owned group of companies on which a regular report is provided to the Board. The Manager, Registrar and Custodian are subject to regular audits by Fidelity's internal controls team and the counterparties' own internal controls reports are received by the Board and any concerns investigated.

Governance/regulatory, financial, operational administration

While it is believed that the likelihood of poor governance, compliance and operational administration by other third party service providers is low, the financial consequences could be serious, including the associated reputational damage to the Company. Your Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. Details of this process are provided in the Corporate Governance Statement within this Annual Report.

Financial instrument risks

The financial instrument risks faced by the Company are shown in Note 16 to the financial statements on pages 45 to 48. The additional risk to the Company of using CFDs rather than traditional forms of borrowing is that the Company does not own the Japanese equities to which the CFDs give exposure and is at risk if the counterparty defaults, for example for insolvency reasons. The balance on all outstanding CFDs is calculated on a daily basis with collateral then adjusted so that collateral equal to the outstanding balance has been recognised, although no collateral adjustment is made where the outstanding balance is less than US$1 million. This results in a potential exposure, which could be increased due to settlement practices and timing differences, to a maximum of US$1 million plus three days' unrealised trading profits.

Other risks

Other risks monitored on a regular basis include loan covenants in times when the Company takes out loans, which are subject to daily monitoring, together with the Company's cash position, and the consequences of shareholders not supporting the triannual vote to continue the Company's existence.

ENVIRONMENTAL, EMPLOYEE, SOCIAL AND COMMUNITY MATTERS

The Company is managed by FIL Investments International, has no employees and all of its Directors are non-executive. The Company's day to day activities are all conducted by third parties. There are therefore no disclosures to be made in respect of employees. The Board fully endorses Fidelity's strong procedures which are involved in the making of its investments.

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

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

SOCIALLY RESPONSIBLE INVESTMENT

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

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

CORPORATE ENGAGEMENT

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

GENERAL

RESULTS AND DIVIDENDS

The revenue column of the Income Statement on page 33 shows a return after taxation for the year of £20,000. However, as the revenue reserve is in deficit as at 31 December 2011, the Directors do not recommend the payment of a dividend.

SHARE CAPITAL AND SUBSCRIPTION SHARES

The Company's issued share capital comprises ordinary shares of 25 pence each and subscription shares of 5 pence each. As at 31 December 2011 the total number of ordinary shares in issue was 97,447,975 (2010: 95,684,520). Each ordinary share in issue carries one vote. Deadlines for the exercise of voting rights and details of arrangements by which someone other than the shareholder can exercise voting rights are detailed in the Notes to the Notice of Meeting on pages 53 and 54.

Each subscription share gives the holder the right, but not the obligation, to subscribe for one ordinary share at the end of each month until the end of February 2013 inclusive. Each subscription share may only be exercised once. The exercise price is 55 pence per share. During the year ended 31 December 2011, the rights attaching to a total of 1,763,455 subscription shares were exercised. As at 31 December 2011, the total number of subscription shares in issue was 17,244,859. Since the year end the rights attaching to a further 4,188 subscription shares have been exercised. The subscription shares were listed and trading commenced in these shares on 12 November 2009. The subscription shares do not carry voting rights. Details of the treatment of subscription shares for capital gains tax purposes may be found on page 13.

After 28 February 2013, the Company will appoint a trustee to determine the net proceeds from the sale of ordinary shares arising on the exercise of the rights attaching to the subscription shares that have not been exercised after deduction of costs, expenses and fees. If these net proceeds are lower than the cost of exercising the rights attached to the said subscription shares, then the subscription share rights will lapse. If the net proceeds are higher than the cost of exercising the rights attached to the subscription shares then, within fourteen days of 28 February 2013, the Company will either:

(i) exercise all the rights attached to the outstanding subscription shares and sell in the market place the ordinary shares resulting from the exercise of such rights; or

(ii) accept any offer available for the purchase of the outstanding subscription shares in excess of the exercise price together with the relevant costs, expenses and fees

and the resulting net proceeds in excess of the exercise price will be paid to the holders of the outstanding subscription shares unless the amount arising to a subscription shareholder is less than £5.

ORDINARY SHARE ISSUES

Other than the issue of ordinary shares following the exercise of rights attaching to subscription shares as detailed on this page, no shares were issued during the year (2010: nil).

SHARE REPURCHASES

At the Annual General Meeting held on 12 May 2011 the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to 14,584,750 ordinary shares and 2,607,500 subscription shares in the market for cancellation. No ordinary or subscription shares were repurchased for cancellation during the year (2010: nil). The authority expires on 10 May 2012 and a special resolution to renew the authority will therefore be put to shareholders for approval at the forthcoming Annual General Meeting.

POLITICAL AND CHARITABLE DONATIONS

The Company has not made any political or charitable donations in the year (2010: nil).

PAYMENT OF CREDITORS

The Company's principal supplier is the Manager who is paid in the month following the end of each calendar quarter, in accordance with the terms of the Management Agreement. The Company's policy for all suppliers is to fix terms of payment when agreeing the terms of each business transaction to ensure that the supplier is aware of these terms and to abide by the agreed terms of payment. The Company did not have any trade creditors during the year (2010: nil). Other suppliers are paid in accordance with the individual payment terms agreed with each supplier.

Directors' Report

MANAGEMENT COMPANY

A Management and Secretarial Services Agreement (the "Agreement") dated 6 February 2006 and amended on 18 January 2011 was made between the Company and FIL Investments International (the "Manager"), under which the Manager has agreed to provide investment management, administrative and secretarial services to the Company. Details of the Agreement are set out in the Corporate Governance Statement on page 28.

The Manager also provides certain other services, including marketing and administration, in connection with the Fidelity Investment Trust Share Plan and the Fidelity Individual Savings Account under an Agreement dated 12 March 1996. Fees payable under this Agreement for the year to 31 December 2011 were £58,000 (2010: £70,000).

An amount of £133,000 (2010: £78,000) was due to the Manager under the above agreements at 31 December 2011 and is included in creditors in Note 11 on page 42.

Fidelity has adopted a broker segmentation policy, which has reduced the number of brokers used, and allows it to concentrate on those brokers who, in its opinion, offer the best service in terms of overall execution. These brokers are Fidelity's "core" brokers. At the same time, the Manager evaluates the research provided by other brokers and uses some of them for their research. These brokers are called Secondary State Research firms ("SSRs"). As a consequence of this policy, the "core" brokers earn a larger percentage of the commission paid. These "core" brokers pay away some of this commission earned to the SSRs to compensate them for the research provided to Fidelity. Under FSA regulations this type of payment from one broker to another is currently treated as "softing". The Manager's soft commission policy complies with the UK regulations.

Fidelity adopts a best execution policy that applies to all transactions in all instruments, regardless of the fund or account or location of the trading desk. There is a regulatory requirement on the Manager to obtain best execution and no individual deal is entered into which prevents compliance with this requirement. The Manager has an arrangement with certain brokers whereby a portion of commissions from security transactions may be paid to the Company to reduce transaction costs. Amounts received by the Company under this arrangement are credited to capital. In the year to 31 December 2011 no monies were received (2010: nil).

Simon Fraser was employed by the Manager until the end of December 2008. FIL Investments International is a member of the FIL Limited group of companies. As at the date of this report FIL Limited has an interest in 8,244,920 ordinary shares in the Company (8.44%) on its own account.

DIRECTORS

With the exception of David Robins, appointed on 1 February 2011, all of the Directors served throughout the year ended 31 December 2011. Details of all of the Directors are set out on page 14.

In accordance with the Listing Rules, Simon Fraser, a former employee of the Manager, is subject to annual re-election.

William Thomson will retire from the Board at the conclusion of the business of the Annual General Meeting and is therefore not seeking re-election. David Robins will be appointed as Chairman of the Board after the conclusion of the Annual General Meeting.

Having served for more than nine years, Nicholas Barber seeks re-election and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting. It is Mr Barber's intention to step down from the Board at the end of December 2012.

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

The interests of the Directors in the ordinary and subscription shares of the Company as at 31 December 2011 and 31 December 2010 were as in the tables below. There have been no changes in these ordinary or subscription share holdings during the year since the year end.

	31 December 2011 ordinary shares	31 December 2010 ordinary shares
Nicholas Barber	10,000	10,000
Simon Fraser	30,000	30,000
Philip Kay	10,144	10,144
Sir Laurie Magnus [1]	40,000	40,000
David Miller	20,000	20,000
David Robins [2]	10,000	n/a
William Thomson	15,000	15,000

All holdings beneficial

1 Appointed to the Board 1 October 2010
2 Appointed to the Board 1 February 2011. 10,000 shares purchased

	31 December 2011 subscription shares	31 December 2010 subscription shares
Nicholas Barber	2,000	2,000
Simon Fraser	6,000	6,000
Philip Kay	2,028	2,028
Sir Laurie Magnus [1]	n/a	n/a
David Miller	4,000	4,000
David Robins [2]	n/a	n/a
William Thomson	3,000	3,000

All holdings beneficial

1 Appointed to the Board 1 October 2010
2 Appointed to the Board 1 February 2011

Information on the appointment, re-election and replacement of Directors and amendments to the Company's Articles of Association is included in the Corporate Governance Statement on pages 25 and 26. Any amendments to the Company's Articles of Association must be made by special resolution.

DIRECTORS AND OFFICERS' LIABILITY INSURANCE

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

SUBSTANTIAL SHARE INTERESTS

As at the date of this report, 7.89% of the issued ordinary share capital was held by investors in the Fidelity Individual Savings Account and the Fidelity Investment Trust Share Plan.

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

Substantial share interests	%
FIL Limited[1]	16.33
1607 Capital Partners, LLC[2]	13.63
Miton Assets Management[3]	5.23
Wells Capital Management[4]	5.16
Laxey Partners[5]	4.68
Lazard Asset Management[6]	4.09
Barclays Stockbrokers[7]	3.78
Wesleyan Assurance Society[8]	3.46
Ecclesiatical Investment Management[9]	3.37

1 Direct holding on own account (8.44%) and indirect holding for clients (7.89%)
2 Direct holding on own account and for clients
3 Direct holding on own account
4 Direct holding on own account and for clients
5 Direct holdings and indirect holding of funds under discretionary management
6 Direct holding for clients
7 Direct holding for clients
8 Direct holding on own account
9 Direct holding on own account

	Analysis of ordinary shareholders as at 31 December 2011 % of issued share capital
Other Funds	40.97
Retail Investors [1]	38.73
Insurance	6.98
Hedge Funds	6.24
Pensions	5.97
Charities	0.80
Trading	0.31
	100.00

1 Includes Share Plan and ISA investors

	Analysis of subscription shareholders as at 31 December 2011 % of issued share capital
Retail Investors [1]	59.23
Other Funds	17.19
Trading	9.61
Insurance	6.03
Pensions	4.44
Hedge Funds	3.50
	100.00

1 Includes Share Plan and ISA investors

ANNUAL GENERAL MEETING

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.
If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000.

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

Resolution 7 provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,218,125. If passed, this resolution will enable the Directors to allot a maximum of 4,872,500 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company as at 16 March 2012. This authority provides the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares should any favourable opportunities arise to the advantage of shareholders.

If new ordinary shares are allotted for cash, the Companies Act 2006 requires such new shares to be offered to existing holders of ordinary shares ("pre-emption rights"). In certain circumstances it is beneficial for the Directors to allot shares for cash otherwise than pro rata to existing shareholders and the Companies Act 2006 provides for shareholders to give such power to the Directors by waiving their pre-emption rights.

Resolution 8 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities for cash by way of (a) rights issues where practical considerations, such as fractions and foreign securities laws, make this desirable, and (b) other issues up to an aggregate nominal

Directors' Report

value of £1,218,125 (5% of the issued ordinary share capital of the Company as at 16 March 2012). The Directors would not issue ordinary shares pursuant to this power at less than the then current net asset value per share ("NAV"), other than in respect of the rights attaching to the subscription shares, for which a separate authority is in place.

The authority to issue ordinary shares for cash under Resolutions 7 and 8 will enable the Directors to issue additional new ordinary shares to participants in the Fidelity Investment Trust Share Plan and ISA in the event that the ordinary shares are trading at a premium to their NAV.

Resolution 9 is a special resolution which renews the Company's authority to repurchase its ordinary and subscription shares for cancellation. It is proposed that the Board be authorised to make arrangements to purchase through the London Stock Exchange up to 14,608,000 ordinary shares of 25 pence (equivalent to 14.99% of the ordinary shares in issue at 16 March 2012). Resolution 9 also renews the Directors' authority to repurchase the Company's subscription shares for cancellation. It is proposed that the Board be authorised to make arrangements to purchase through the London Stock Exchange up to 2,584,000 subscription shares of 5 pence (equivalent to 14.99% of the subscription shares in issue at 16 March 2012). By utilising the power to repurchase ordinary shares when they are trading at a discount to NAV, the Company will increase the resulting NAV per share for remaining shareholders. Subscription shares will only be repurchased when such repurchase would result in an increased NAV for the remaining shareholders taken on a diluted basis.

Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share.

The full text of the resolutions is set out in the Notice of Meeting contained on pages 52 to 54.

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

CORPORATE GOVERNANCE

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

AUDITOR'S RIGHT TO INFORMATION

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

AUDITOR'S APPOINTMENT

A resolution to reappoint Grant Thornton UK LLP as Auditor to the Company will be proposed at the forthcoming Annual General Meeting together with a resolution to authorise the Directors to determine the Auditor's remuneration.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 15 to 19. The financial position of the Company, its cash flows, liquidity position and gearing are described in the Financial Statements and Notes thereto on pages 33 to 48. The Company's objectives, policies and processes for managing its capital, financial risk management objectives, details of financial instruments and its exposures to credit and liquidity risk are also set out on pages 17 and 18 and in the Notes to the Financial Statements on pages 45 to 48.

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

The Board receives regular reports from the Manager and the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Continuation votes are held every three years and the next continuation vote will be put to shareholders at the Annual General Meeting in 2013.

By Order of the Board
FIL Investments International
Secretary
16 March 2012

Statement of Directors' Responsibilities

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

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

In preparing these financial statements the Directors are required to:

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

The Directors are responsible for ensuring that adequate accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

Approved by the Board on 16 March 2012 and signed on its behalf.

William Thomson
Chairman
16 March 2012

Corporate Governance Statement

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

AIC CODE

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

The Board is accountable to the Company's shareholders for good governance and considers that the Company has complied with the recommendations of the AIC Code, and the relevant provisions of the UK Code, except as set out below and in relation to the composition of the audit committee as detailed on page 26.

The UK Code includes provisions relating to:

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

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

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

THE BOARD AND ITS COMMITTEES

THE BOARD

The Board of Directors 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 and Secretarial Services Agreement are reserved for the Board's decision.

Matters reserved for the Board include, inter alia, decisions on strategy, management, structure, capital, share issues, share repurchases, gearing, financial reporting, risk management, investment performance, share price discount, corporate governance, the appointment of the Company Secretary and Board appointments. The Company's investment policy is detailed on pages 15 and 16.

The Board currently consists of seven Directors, of whom six are independent of the Company's Manager. Simon Fraser is a recent employee of the Manager and cannot therefore be classed as independent. All are considered to be free from any relationship which could materially interfere with the exercise of their independent judgement and are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively. William Thomson will retire as Chairman and Director after this year's Annual General Meeting and Nicholas Barber will step down as a Director on 31 December 2012. At this point, the period of transition in the Board's composition will cease and the Board will comprise five Directors.

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

Corporate Governance Statement

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

	Regular Board Meetings	Nomination Committee Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
William Thomson	4/4	1/1	3/3	1/1
Nicholas Barber	4/4	1/1	3/3	1/1
Simon Fraser	4/4	1/1	3/3	n/a
Philip Kay	4/4	1/1	3/3	0/1
Sir Laurie Magnus	4/4	1/1	3/3	1/1
David Miller	4/4	1/1	3/3	1/1
David Robins[1]	3/4	n/a	3/3	1/1

1 Dates for 2011 meetings set prior to the appointment of David Robins

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

SENIOR INDEPENDENT DIRECTOR

The Board appointed Nicholas Barber as Senior Independent Director on 10 March 2005. The Senior Independent Director fulfils the role as a sounding board for the Chairman and as intermediary for other non-executive Directors where necessary.

BOARD BALANCE

The Board consists of Directors who, between them, have good knowledge and wide experience of business in Japan, the Asia region and of investment trusts. The Directors believe that the Board has an appropriate balance of skills, experience, independence, knowledge of the Company and length of service to discharge its duties and provide effective strategic leadership and proper governance of the Company. Biographical details of all Directors including their relevant directorships are given on page 14 of this report. The Board ensures that it conducts its business at all times with only the interests of the shareholders in mind and quite independently of any other associations. It meets at least four times a year, including an annual meeting in Tokyo, and endeavours to provide leadership in terms of the direction of the Company. Between these meetings there is regular contact with the Manager. Other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred to them from the Board and the Chairman is in contact with the other Directors regularly without representatives of the Manager being present.

The Company Secretary is a corporate secretary. The appointment of the Company Secretary is a matter for the Board as a whole. The Directors have access to the advice and services of the Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Directors also have the ability to take independent professional advice, if necessary, at the Company's expense. The Company maintains Directors and Officers' liability insurance.

SUPPLY OF INFORMATION

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

The quarterly Board meeting papers are the key source of regular information for the Board, the contents of which are determined by the Board and contain sufficient information on the financial condition of the Company. Key representatives of the Manager attend each Board meeting, enabling the Board to probe further on matters of concern or seek clarification on certain issues.

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

CHANGES TO THE BOARD

All appointments to the Board and replacements of Directors take place in accordance with the Companies Act, the Company's Articles of Association and the AIC Code. The Nomination Committee is responsible for identifying possible candidates for consideration by the Board. Whilst the independent Directors take the lead in the appointment of new Directors, any proposal for a new Director will be discussed and approved by the entire Board. External consultants are also used to identify potential candidates.

Corporate Governance Statement

Details of the changes to the Board which have taken place during the year are outlined in the Directors' Report on page 20.

CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

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

TRAINING

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

PERFORMANCE EVALUATION

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

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

ELECTION AND RE-ELECTION

All newly appointed directors stand for election by the shareholders at the next Annual General Meeting following their appointment. The Directors retire by rotation and offer themselves for re-election by shareholders every three years. Directors who have served on the Board for more than nine years are subject to annual re-election.

Simon Fraser will retire in accordance with the provisions of the Listing Rules and will seek re-election at the forthcoming Annual General Meeting. The proposal for his re-election was considered by the Nomination Committee. He is a recent employee of the Manager and is therefore deemed not to be an independent Director. The Nomination Committee considers that Simon Fraser's knowledge of the Manager together with his knowledge and experience of Japan and, in particular investment in Japan, are of enormous benefit and the Board recommends that shareholders vote in favour of his re-election.

Having served on the Board for more than nine years, Nicholas Barber will retire and seek re-election. The Nomination Committee has considered his performance and contribution to the Company and concluded that he has been effective and continues to demonstrate commitment to his role. Accordingly, the Committee has recommended his continued service and recommends his re-election at the forthcoming Annual General Meeting to shareholders. Nicholas Barber will retire as a Director on 31 December 2012.

William Thomson will retire following this year's Annual General Meeting and therefore does not seek re-election. Upon his retirement, David Robins will be appointed as Chairman of the Board.

The names of Directors submitted for re-election are accompanied by sufficient biographical details on page 14 to enable shareholders to make an informed decision.

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

THE AUDIT COMMITTEE

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

The Committee's authority and duties are clearly defined in its written terms of reference which are included on the Company's pages of the Manager's website (www.fidelity.co.uk/its). These duties include: responsibility for making recommendations on the appointment, re-appointment and removal of the external Auditor, discussing the external Auditor's quality control procedure; considering the scope of work undertaken by the Manager's internal audit department; reviewing the Company's procedures for detecting fraud; monitoring the integrity of the financial statements of the Company; reviewing the half-yearly and annual financial statements of the Company prior to their submission to the Board; and reviewing the effectiveness of the internal control system (including financial, operational and compliance controls and risk management). They also include responsibility for reviewing and monitoring the effectiveness of the audit process and the external Auditor's independence and objectivity with particular regard to the provision of non-audit services taking into consideration relevant UK professional and regulatory requirements and by seeking appropriate disclosures and comfort from the Auditor. The provision of non-audit services is also subject to prior Board approval. No work other than audit was carried out by the Company's Auditor during the year.

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

During the year ended 31 December 2011, the Audit Committee discharged its responsibilities by, inter alia:

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

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

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

THE NOMINATION COMMITTEE

The Committee consists of all of the Directors (as there is no reason to exclude any Director), and William Thomson chairs the Committee as he has the requisite experience to do so. David Robins will chair the Committee when William Thomson retires after the Annual General Meeting and he too has the requisite experience to do so. The Committee is charged with nominating new Directors for consideration by the Board, and subsequent approval by shareholders. It believes that the best way of ensuring that the Board as a whole and each independent Director individually carry out their duties in an independent manner, irrespective of the interests of the Manager, is to ensure that the search for, the interview of and recommendation to the Board of a candidate is entirely controlled by this Committee. As part of this process, external consultants are used to identify potential candidates. The Nomination Committee also considers the re-election of Directors who are retiring by rotation.

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

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

The Committee's terms of reference are available on the Company's pages of the Manager's website (www.fidelity.co.uk/its). The terms and conditions of appointment of Directors are available for inspection at the registered office of the Company and will be made available prior to the forthcoming Annual General Meeting.

THE MANAGEMENT ENGAGEMENT COMMITTEE

The Committee consists of all of the independent Directors and William Thomson chairs the Committee as it is felt that he has the skills to do so. David Robins will chair the Committee upon William Thomson's retirement after the Annual General Meeting. It is felt that he too has the skills to do so. The Committee is charged with reviewing and monitoring the performance of the Manager in respect of its contract and the fees it is paid. This Committee meets at least once a year and reports to the Board of Directors, making recommendations where appropriate.

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

The criteria which are taken into consideration in reviewing the performance of the Manager ~~are~~ set out on page 28.

Corporate Governance Statement

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

The Committee met and reviewed the performance of the Manager for the year to 31 December 2011. Having reviewed the criteria set out above, the Committee concluded that it was in the interests of shareholders that the Management and Secretarial Services Agreement should continue.

The Committee's terms of reference are available on the Company's pages of the Manager's website (www.fidelity.co.uk/its). Details of the Management and Secretarial Services Agreement follow.

MANAGEMENT AGREEMENT

A Management and Secretarial Services Agreement (the "Management Agreement") dated 6 February 2006 and amended on 18 January 2011, was entered into between the Company and FIL Investments International (the "Manager"), under which the Manager has agreed to provide investment management, administrative and secretarial services to the Company for a quarterly fee of an amount equal to 0.25 per cent of the value of the Company's assets under management together with the gross exposure to CFDs (excluding investments in other funds managed by the Manager) payable quarterly in arrears and calculated on the last business day of March, June, September and December in each year. In addition the Company has agreed to pay to the Manager a fee for secretarial and administration services, payable quarterly in arrears, at the current rate of £40,239 per annum. The notice period by either party is six months. The Management Agreement may, however, be terminated without compensation if the Company is liquidated pursuant to the procedures laid down in the Articles of Association of the Company regarding the Company's continuation. The Management Agreement may also be terminated forthwith as a result of a material breach of the Management Agreement or on the insolvency of the Manager or the Company. In addition, the Company may terminate the Management Agreement by two months' notice in writing if the Manager ceases to be a subsidiary of FIL Limited.

FINANCIAL REPORTING

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Company's systems of risk management and internal control and for reviewing their effectiveness. The identification, control and evaluation of risk is assessed quarterly and a regular internal controls report is provided by the Manager. The systems of risk management and internal control are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material mis-statement or loss.

The Board has contractually delegated to external agencies, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the day-to-day accounting and Company Secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered including the control systems in operation in so far as they relate to the affairs of the Company.

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

The Audit Committee has received and reviewed the report on the effectiveness of the internal controls maintained on behalf of the Company and meets a representative of the Manager's Internal Audit team at least twice a year. The Chairman of the Audit Committee has direct access to the Manager's Internal Audit and vice versa. The Board also receives each year from the Manager a report on its internal controls which includes a report from the Manager's reporting accountants on the control procedures in operation around the investment management and administration processes.

Corporate Governance Statement

By means of the procedures set out above and in accordance with the Financial Reporting Council's "Internal Control: Revised Guidance for Directors on the Combined Code", the Directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and have reviewed the effectiveness of the risk management and internal control systems throughout the year ended 31 December 2011. This process continued to be in place up to the date of the approval of these financial statements and is expected to remain in place for the coming year.

WHISTLE-BLOWING PROCEDURE

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

BRIBERY ACT 2010

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

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

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

RESPONSIBILITY AS AN INSTITUTIONAL SHAREHOLDER

The Board has adopted the Manager's Principles of Ownership in relation to investments. These principles include the pursuit of an active investment policy through portfolio management decisions, voting on resolutions at general meetings and maintaining a continuing dialogue with the management of investee companies. The Manager, in its Principles of Ownership, expressly declares that it supports the Financial Reporting Council's Stewardship Code setting out the responsibilities of institutional shareholders and agents.

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

SHAREHOLDERS

The Chairman is responsible for ensuring that all Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and other Directors have meetings with major shareholders to discuss strategy and governance. The Board regularly monitors the shareholder profile of the Company and liaises with the Manager and the Company's broker to canvass shareholder opinion and communicate its views to shareholders. The Board aims to provide the maximum opportunity for dialogue between the Company and shareholders. It believes that the Company's institutional shareholders have proper access to the Manager at any time and to the Board if they so wish. If any shareholder wishes to contact a member of the Board directly they should contact the Company Secretary whose details are given on page 13. All shareholders, particularly individual shareholders, are encouraged to attend the Annual General Meeting at which there is always a presentation of the past year's results and the forthcoming year's prospects, followed by the opportunity to meet representatives of the Manager and the Board.

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

The Notice of Meeting on pages 52 to 54 sets out the business of the Annual General Meeting. A separate resolution is proposed on each substantially separate issue including the Annual Report and financial statements. The Chairman of the Board and the Chairman of the Audit Committee, will be available to answer questions at the Annual General Meeting. The Notice of the Annual General Meeting and related papers are sent to shareholders at least twenty working days before the meeting.

DISCLOSURE AND TRANSPARENCY RULES

Other information required to be disclosed pursuant to the Disclosure and Transparency Rules has been placed in the Directors' Report on pages 19 to 21 because it is information which refers to events that have taken place during the course of the year. The following is a list of that information:

Directors' shareholdings
Directors and Officers' liability insurance
Substantial share interests
Share capital
Share issues
Share repurchases

On behalf of the Board
William Thomson
16 March 2012

Directors' Remuneration Report

This report has been prepared in accordance with Sections 420 – 422 of the Companies Act 2006 in respect of the year ended 31 December 2011. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting. The law requires the Company's Auditor to audit certain parts of the disclosures provided. Where disclosures have been audited they are indicated as such. The Auditor's opinion is included in its report on page 32.

DIRECTORS' REMUNERATION

Levels of remuneration are competitive and sufficient to attract and retain the standard of Directors needed to manage the Company successfully. The Company Secretary provides information on comparative levels of Directors' fees to the Board in advance of each review. The level of Directors' fees is determined by the whole Board, having regard to the Directors' duties and responsibilities, to their time commitments, to their potential liabilities (both financial and reputational) and finally to levels of fees in the investment trust industry generally. Directors do not vote in respect of their own fees. It is intended that this policy will continue for the year ended 31 December 2012 and subsequent years.

Directors' fees are disclosed fully in each Annual Report. Shareholdings by Directors are encouraged and the Directors' share interests are disclosed in the Directors' Report on page 20. The Directors do not receive performance related remuneration.

The Company's Articles of Association limit the aggregate fees payable to each Director to £50,000 per annum.

With effect from 1 July 2011 the fee payable to the Chairman was £31,000 (2010: £29,500) and the fee payable to each of the remaining Directors was £20,000 (2010: £19,000).

All Directors are non-executive and no Director has a service contract with the Company. The Company does not make payments to Directors on termination. The Company's performance has been measured against the Russell Nomura Mid/Small Cap Index (in sterling terms) as this is the most appropriate benchmark in respect of its investment objective.

REMUNERATION OF DIRECTORS[1]

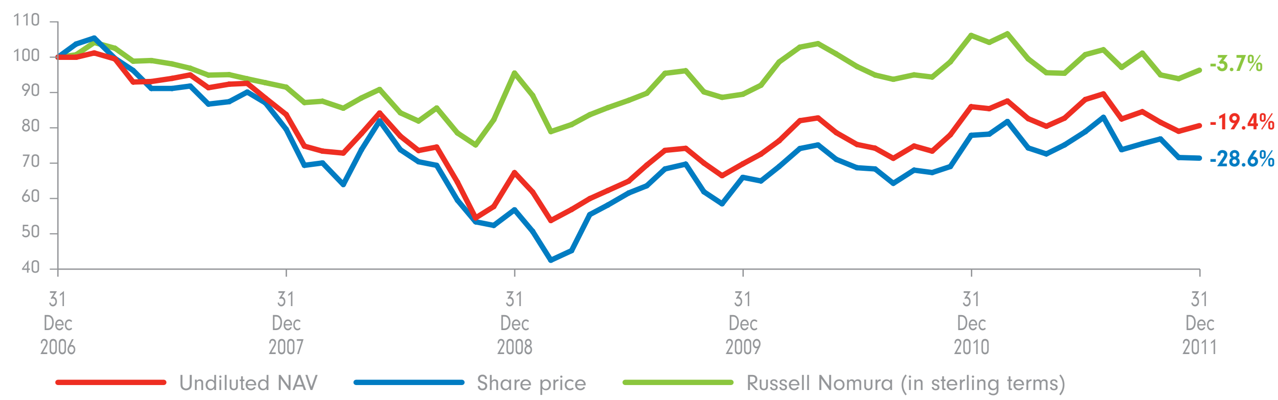
Name	2011 £'000	2010 £'000
William Thomson	30	29
Nicholas Barber	20	19
Simon Fraser	20	19
Philip Kay	20	19
Sir Laurie Magnus [2]	20	5
David Miller	20	19
David Robins [3]	18	n/a
Total	148	110

1 Audited information
2 Appointed on 1 October 2010
3 Appointed on 1 February 2011

No Director received any bonus, taxable expenses, compensation for loss of office or non-cash benefits for the year ended 31 December 2011 or 31 December 2010.

On behalf of the Board
William Thomson
Chairman
16 March 2012

Performance from 1 January 2007 to 31 December 2011 (on a total return basis)



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

Financial Calendar

~~**The key dates in the Company's calendar are:**~~

~~31 December 2011 – financial year end~~

~~Mid March 2012 – announcement of results~~

~~April 2012 – publication of this report~~

~~Mid May 2012 – Interim Management Statement (as at 31 March 2012)~~

~~10 May 2012 – Annual General Meeting~~

~~30 June 2012 – Half Year end~~

~~July/August 2012 – announcement of Half Yearly results to 30 June 2012~~

~~August 2012 – publication of Half Yearly report~~

~~Mid November 2012 – Interim Management Statement (as at 30 September 2012)~~

Independent Auditor's report to the members of Fidelity Japanese Values PLC

We have audited the financial statements of Fidelity Japanese Values PLC for the year ended 31 December 2011 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its net loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

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

Under the Listing Rules, we are required to review:

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

Julian Bartlett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
16 March 2012

Income Statement for the year ended 31 December 2011

	Notes	2011 revenue £'000	2011 capital £'000	2011 total £'000	2010 revenue £'000	2010 capital £'000	2010 total £'000
(Losses)/gains on investments designated at fair value through profit or loss	8	–	(4,114)	(4,114)	–	10,584	10,584
(Losses)/gains on derivative instruments held at fair value through profit or loss	9	–	(312)	(312)	–	1,562	1,562
Income	2	1,445	–	1,445	1,088	–	1,088
Investment management fee	3	(830)	–	(830)	(760)	–	(760)
Other expenses	4	(441)	–	(441)	(458)	–	(458)
Exchange gains/(losses) on other net assets		4	483	487	(24)	466	442
Net return/(loss) before finance costs and taxation		178	(3,943)	(3,765)	(154)	12,612	12,458
Finance costs	5	(83)	–	(83)	(75)	–	(75)
Net return/(loss) on ordinary activities before taxation		95	(3,943)	(3,848)	(229)	12,612	12,383
Taxation on return/(loss) on ordinary activities	6	(75)	–	(75)	(58)	–	(58)
Net return/(loss) on ordinary activities after taxation for the year		20	(3,943)	(3,923)	(287)	12,612	12,325
Return/(loss) per ordinary share							
Undiluted	7	0.02p	(4.06p)	(4.04p)	(0.30p)	13.19p	12.89p
Diluted	7	0.02p	(4.04p)	(4.02p)	n/a	n/a	n/a

A Statement of Total Recognised Gains and Losses has not been prepared as there are no gains and losses other than those reported in this Income Statement.
The total column of the Income Statement is the profit and loss account of the Company.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.

The Notes on pages 37 to 48 form an integral part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2011

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Opening shareholders' funds: 1 January 2010		24,850	44	2,437	57,955	(19,033)	(13,149)	53,104
Issue of ordinary shares on the exercise of rights attached to subscription shares	12	27	32	–	–	–	–	59
Exercise of rights attached to subscription shares and conversion into ordinary shares	12	(5)	5	–	–	–	–	–
Net return/(loss) on ordinary activities after taxation for the year		–	–	–	–	12,612	(287)	12,325
Closing shareholders' funds: 31 December 2010		24,872	81	2,437	57,955	(6,421)	(13,436)	65,488
Issue of ordinary shares on the exercise of rights attached to subscription shares	12	441	529	–	–	–	–	970
Exercise of rights attached to subscription shares and conversion into ordinary shares	12	(88)	88	–	–	–	–	–
Net (loss)/return on ordinary activities after taxation for the year		–	–	–	–	(3,943)	20	(3,923)
Closing shareholders' funds: 31 December 2011		25,225	698	2,437	57,955	(10,364)	(13,416)	62,535

The Notes on pages 37 to 48 form an integral part of these financial statements.

Balance Sheet as at 31 December 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Investments designated at fair value through profit or loss	8	58,807	62,564
Current assets			
Derivative assets held at fair value through profit or loss	9	2,202	2,339
Debtors	10	797	191
Cash at bank		4,056	1,237
		7,055	3,767
Creditors			
Derivative liabilities held at fair value through profit or loss	9	(2,211)	(363)
Creditors	11	(1,116)	(480)
		(3,327)	(843)
Net current assets		3,728	2,924
Total net assets		62,535	65,488
Capital and reserves			
Share capital	12	25,225	24,872
Share premium account		698	81
Capital redemption reserve		2,437	2,437
Other reserve		57,955	57,955
Capital reserve		(10,364)	(6,421)
Revenue reserve		(13,416)	(13,436)
Total equity shareholders' funds		62,535	65,488
Net asset value per ordinary share			
Undiluted	13	64.17p	68.44p
Diluted	13	62.79p	66.21p

The financial statements on pages 33 to 48 were approved by the Board of Directors on 16 March 2012 and were signed on its behalf by:

William Thomson
Chairman

The Notes on pages 37 to 48 form an integral part of these financial statements.

Cash Flow Statement for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Operating activities			
Investment income received		1,017	780
CFD dividends received		332	238
Investment management fee paid		(870)	(733)
Directors' fees paid		(137)	(104)
Other cash payments		(227)	(405)
Net cash inflow/(outflow) from operating activities	14	115	(224)
Finance costs			
Interest paid on long CFDs		(85)	(80)
Net cash outflow from servicing of finance		(85)	(80)
Financial investment			
Purchase of investments		(58,309)	(76,205)
Disposal of investments		58,235	74,025
Net cash outflow from financial investment		(74)	(2,180)
Derivative activities			
Proceeds from long CFD positions closed		1,673	1,176
Net cash inflow from derivative instruments		1,673	1,176
Net cash inflow/(outflow) before financing		1,629	(1,308)
Financing			
Exercise of rights attached to subscription shares		971	58
Net cash inflow from financing		971	58
Increase/(decrease) in cash	15	2,600	(1,250)

The Notes on pages 37 to 48 form an integral part of these financial statements.

Notes to the Financial Statements

1. ACCOUNTING POLICIES

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

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

b) Income – Income from equity investments is credited to the Income Statement on the date on which the right to receive the payment is established. Overseas dividend income includes withholding tax deducted at source. Interest receivable on short term deposits is dealt with on an accruals basis. Where the Company has elected to receive its dividends in the form of additional shares rather than cash foregone, the amount of the cash dividend foregone is recognised as revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital column of the Income Statement.

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

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

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

f) Foreign currency – The Directors, having regard to the currency of the Company's share capital and the predominant currency in which its investors operate, have determined the functional currency to be UK sterling. Transactions denominated in foreign currencies are calculated in UK sterling at the rate of exchange ruling as at the date of transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All capital gains and losses, including exchange movements on the translation of foreign currency assets and liabilities, are included in the capital column of the Income Statement.

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

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

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

Notes to the Financial Statements

1. ACCOUNTING POLICIES (continued)

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

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

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

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

2. INCOME

	2011 £'000	2010 £'000
Income from investments designated at fair value through profit or loss		
Overseas dividends	1,099	838
Income from derivatives held at fair value through profit or loss		
Dividends on long CFDs	346	250
Total income	1,445	1,088

3. INVESTMENT MANAGEMENT FEE

	2011 £'000	2010 £'000
Investment management fee	830	760

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

4. OTHER EXPENSES

	2011 £'000	2010 £'000
AIC fees	6	6
Custody fees	12	11
Directors' expenses	21	61
Directors' fees *	148	110
Legal and professional fees	43	43
Marketing expenses	58	70
Printing and publication expenses	52	65
Registrars' fees	27	27
Other expenses	53	45
Fees payable to the Company's Auditor for the audit of the annual financial statements	21	20
	441	458

* Details of the breakdown of Directors' fees are provided on page 30 within the Directors' Remuneration Report.

5. FINANCE COSTS

	2011 £'000	2010 £'000
Interest on long CFDs	83	75

6. TAXATION ON RETURN/(LOSS) ON ORDINARY ACTIVITIES

	2011 revenue £'000	2011 capital £'000	2011 total £'000	2010 revenue £'000	2010 capital £'000	2010 total £'000
a) Analysis of the taxation charge for the year						
Overseas taxation suffered (Note 6b)	75	–	75	58	–	58

b) Factors affecting the taxation charge for the year

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an investment trust company of 26.5% (2010: 28.0%).

The differences are explained on page 40.

Notes to the Financial Statements

	2011 revenue £'000	2011 capital £'000	2011 total £'000	2010 revenue £'000	2010 capital £'000	2010 total £'000
6. TAXATION ON RETURN/(LOSS) ON ORDINARY ACTIVITIES (continued)						
Net return/(loss) on ordinary activities before taxation	95	(3,943)	(3,848)	(229)	12,612	12,383
Net return/(loss) on ordinary activities multiplied by the standard rate of corporation tax of 26.5% (2010: 28.0%)	25	(1,045)	(1,020)	(64)	3,531	3,467
Effects of:						
Losses/(gains) on investments not taxable *	–	1,045	1,045	–	(3,531)	(3,531)
Increase in excess expenses for the year	266	–	266	299	–	299
Income not included for taxation purposes	(291)	–	(291)	(235)	–	(235)
Overseas taxation	75	–	75	58	–	58
Current taxation charge (Note 6a)	75	–	75	58	–	58

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

c) The Company has unrelieved excess tax losses of £14,919,000 (2010: £13,912,000). It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised.

	2011 revenue	2011 capital	2011 total	2010 revenue	2010 capital	2010 total
7. RETURN/(LOSS) PER ORDINARY SHARE						
Undiluted	0.02p	(4.06p)	(4.04p)	(0.30p)	13.19p	12.89p
Diluted	0.02p	(4.04p)	(4.02p)	n/a	n/a	n/a

The return/(loss) per ordinary share is based on the return/(loss) on ordinary activities after taxation for the year and the weighted average number of ordinary shares in issue during the year.

	2011 revenue	2011 capital	2011 total	2010 revenue	2010 capital	2010 total
Net return/(loss) on ordinary activities after taxation – undiluted and diluted £'000	20	(3,943)	(3,923)	(287)	12,612	12,325
Weighted average number of ordinary shares in issue during the year						
Undiluted	97,224,897	97,224,897	97,224,897	95,653,233	95,653,233	95,653,233
Diluted	97,532,957	97,532,957	97,532,957	n/a	n/a	n/a

There was no diluted (loss)/return per ordinary share for the year ended 31 December 2010 because the average ordinary share price for the year was below the exercise price of the rights attaching to the subscription shares.

8. INVESTMENTS

	2011 £'000	2010 £'000
Investments designated at fair value through profit or loss		
Listed overseas	58,807	62,564

	2011 listed overseas £'000
Opening book cost	55,346
Opening investment holding gains	7,218
Opening fair value of investments	62,564
Movements in the year	
Purchases at cost	59,021
Sales – proceeds	(58,664)
Sales – gains in the year	594
Movement in investment holding losses in the year	(4,708)
Closing fair value of investments	58,807
Closing book cost	56,297
Closing investment holding gains	2,510
Closing fair value of investments	58,807

	2011 £'000	2010 £'000
Net (losses)/gains on investments designated at fair value through profit or loss in the year		
Gains on sales of investments	594	5,402
Investment holding (losses)/gains	(4,708)	5,182
	(4,114)	10,584

The portfolio turnover rate for the year was 80.4% (2010: 93.0%).

	2011 £'000	2010 £'000
(Losses)/gains on investments in the year are shown net of investment transaction costs as summarised below:		
Purchases	60	79
Sales	64	76
	124	155

Notes to the Financial Statements

9. DERIVATIVE INSTRUMENTS

	2011 fair value £'000	2011 exposure £'000	2010 fair value £'000	2010 exposure £'000
At the year end the Company held the following CFDs				
Long CFDs – assets	2,202	10,591	2,339	12,344
Long CFDs – liabilities	(2,211)	7,625	(363)	4,282
	(9)	18,216	1,976	16,626

	2011 £'000	2010 £'000
(Losses)/gains on derivative instruments held at fair value through profit or loss in the year		
Gains on long CFD positions closed	1,673	1,177
Movement in investment holding (losses)/gains on long CFDs	(1,985)	385
	(312)	1,562

10. DEBTORS

	2011 £'000	2010 £'000
Securities sold for future settlement	680	119
Amount receivable on ordinary shares issued	–	1
Accrued income	70	27
Other debtors	47	44
	797	191

11. CREDITORS

	2011 £'000	2010 £'000
Securities purchased for future settlement	650	70
Interest payable on long CFD's	–	2
Other creditors	466	408
	1,116	480

12. SHARE CAPITAL

	2011 shares	2011 £'000	2010 shares	2010 £'000
Issued, allotted and fully paid:				
Ordinary shares of 25 pence each				
Beginning of the year	95,684,520	23,921	95,577,453	23,894
Issue of ordinary shares on the exercise of rights attached to subscription shares	1,763,455	441	107,067	27
End of the year	97,447,975	24,362	95,684,520	23,921
Issued, allotted and fully paid:				
Subscription shares of 5 pence each				
Beginning of the year*	19,008,314	951	19,115,381	956
Exercise of rights attached to the subscription shares and conversion into ordinary shares	(1,763,455)	(88)	(107,067)	(5)
End of the year	17,244,859	863	19,008,314	951
Total share capital		25,225		24,872

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

After 28 February 2013, the Company will appoint a trustee to determine the net proceeds from the sale of ordinary shares arising on the exercise of the rights attaching to the subscription shares that have not been exercised after deduction of costs, expenses and fees. If these net proceeds are lower than the cost of exercising the rights attached to the said subscription shares, then the subscription share rights will lapse. If the net proceeds are higher than the cost of exercising the rights attached to the subscription shares then, within fourteen days of 28 February 2013, the Company will either:

(i) exercise all the rights attached to the outstanding subscription shares and sell in the market place the ordinary shares resulting from the exercise of such rights; or

(ii) accept any offer available for the purchase of the outstanding subscription shares in excess of the exercise price together with the relevant costs, expenses and fees

and the resulting net proceeds in excess of the exercise price will be paid to the holders of the outstanding subscription shares unless the amount arising to a subscription shareholder is less than £5.

13. NET ASSET VALUE PER SHARE

The undiluted net asset value per ordinary share is based on net assets of £62,535,000 (2010: £65,488,000) and on 97,447,975 (2010: 95,684,520) ordinary shares, being the number of ordinary shares in issue at the year end.

The diluted net asset value per ordinary share has been calculated on the basis of what the financial position would have been, if all the rights attaching to the outstanding subscription shares, of 17,244,859 at 31 December 2011 (2010: 19,008,314), had been exercised on that date. This basis of calculation is in accordance with guidelines laid down by the Association of Investment Companies. Undiluted and diluted net asset values per ordinary share are provided to the London Stock Exchange on a daily basis.

Notes to the Financial Statements

14. RECONCILIATION OF NET (LOSS)/RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2011 £'000	2010 £'000
Net (loss)/return before finance costs and taxation	(3,765)	12,458
Capital loss/(return) for the year	3,943	(12,612)
Net revenue return/(loss) before finance costs and taxation	178	(154)
Increase in other debtors	(46)	(28)
Increase in other creditors	58	16
Overseas taxation suffered	(75)	(58)
Net cash inflow/(outflow) from operating activities	115	(224)

15. RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET FUNDS

	2011 £'000	2010 £'000
Net funds at the beginning of the year	1,237	2,403
Net cash inflow/(outflow)	2,600	(1,250)
Exchange movements	219	84
Change in net funds	2,819	(1,166)
Net funds at the end of the year	4,056	1,237

Analysis of net funds	2011 £'000	cash flows £'000	exchange movements £'000	2010 £'000
Cash at bank	4,056	2,600	219	1,237

16. FINANCIAL INSTRUMENTS

MANAGEMENT OF RISK

The general risk analysis undertaken by the Board and its overall policy approach to risk management are set out in the Business Review on pages 17 and 18. This Note is incorporated in accordance with Financial Reporting Standard 29 ("FRS 29") "Financial Instruments: Disclosures" and refers to the identification, measurement and management of risks potentially affecting the value of financial instruments.

The Company's financial instruments comprise:

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

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

Market price risk

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 quarterly to consider the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective. The Manager is responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk/reward profile. Other price risks arising from long CFD positions, mainly to do with the underlying exposures, are estimated using Value at Risk and Stress Tests.

Interest rate risk

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

Interest rate risk profile of financial assets and liabilities

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

Foreign currency risk

The Company's total return and balance sheet can be affected by foreign exchange movements because the Company has assets and income which are denominated in yen whereas the Company's base currency is UK sterling.

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

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

The Company does not hedge the UK sterling value of investments or other net assets priced in yen or other currencies by the use of derivative instruments. Derivative instruments have been used for gearing rather than hedging purposes.

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

Notes to the Financial Statements

16. FINANCIAL INSTRUMENTS (continued)

Currency exposure of financial assets

The Company's financial assets comprise equity investments, the fair value of the underlying securities within the long CFDs, short term debtors and cash. The currency cash flow profile of these financial assets, including the long CFD exposures, is shown below.

2011	investments designated at fair value through profit or loss £'000	exposure through long CFDs £'000	short term debtors £'000	cash £'000	total £'000
Yen	58,807	18,216	750	4,006	81,779
US dollar	–	–	–	1	1
	58,807	18,216	750	4,007	81,780

2010	investments designated at fair value through profit or loss £'000	exposure through long CFDs £'000	short term debtors £'000	cash £'000	total £'000
Yen	62,564	16,626	167	1,172	80,529
US dollar	–	–	–	2	2
	62,564	16,626	167	1,174	80,531

Currency exposure of financial liabilities

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

The Company's financial liabilities comprise its long CFDs and other short term creditors. The currency cash flow profile of these financial liabilities, including the long CFD exposures, is shown below.

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

2010	gearing through long CFDs £'000	short term creditors £'000	total £'000
Yen	14,650	77	14,727

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

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

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

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

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

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

RISK SENSITIVITY ANALYSIS
Other price risk sensitivity analysis
Changes in market prices other than those arising from interest rate risk or foreign currency risk may also affect the value of the Company's net assets. Details of how the Board sets risk parameters and performance objectives can be found on pages 17 and 18 of the Directors' Report.

An increase of 10% in the fair value of the investments at 31 December 2011 would have increased total net assets and total return on ordinary activities by £5,881,000 (2010: £6,256,000). A decrease of 10% would have had an equal but opposite effect.

The Company also invests in long CFDs to gain exposure to the equity markets. An increase of 10% in the price of shares underlying the long CFDs at 31 December 2011 would have increased total net assets and total return on ordinary activities by £1,822,000 (2010: £1,663,000). A decrease of 10% would have had an equal but opposite effect.

Interest rate risk sensitivity analysis
At 31 December 2011, if interest rates had increased by 0.5% the total return on ordinary activities would have decreased by £71,000 (2010: £67,000). A decrease in the interest rates by 0.5% would have had an equal but opposite effect. The sensitivity is based on the Company's cash balances and its exposure to long CFDs held at 31 December 2011, with all other variables held constant.

Foreign currency risk sensitivity analysis
At 31 December 2011, if sterling had strengthened by 10% against the yen, this being the largest currency exposure, then with all other variables held constant, total net assets and total return on ordinary activities would have decreased by £7,313,000 (2010: £7,314,000). A 10% weakening of sterling against the yen, with all other variables held constant, would have increased total net assets and total return on ordinary activities by £8,938,000 (2010: £8,939,000).

Notes to the Financial Statements

16. FINANCIAL INSTRUMENTS (continued)

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

FAIR VALUE HIERARCHY

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

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

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

The techniques used by the Company to value its financial instruments are explained in the Accounting Policies Note 1(g) and (h) on pages 37 and 38. All investments held by the Company at 31 December 2011 are considered to fall within Level 1. Long CFD net liabilities of £9,000 (2010: net assets of £1,976,000) fall within Level 2.

CAPITAL MANAGEMENT

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

17. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 31 December 2011 (2010: nil).

18. RELATED PARTY TRANSACTIONS

The Directors have complied with the provisions of Financial Reporting Standard 8 "Related Party Disclosures", which require disclosure of related party transactions and balances. FIL Investments International is the Manager and Secretary of the Company and details of the services provided and fees paid are given on pages 19 and 20.

Full Portfolio Listing as at 31 December 2011

Investments, including derivatives	Exposure £'000	Fair value[1] £'000	%[2]
Sekisui Chemical (CFD)	3,080	512	3.8
M3 (CFD)	2,827	1,091	3.5
CyberAgent	2,722	2,722	3.4
Bit-Isle	2,534	2,534	3.1
Takata (CFD)	2,296	(715)	2.8
Maruwa	2,072	2,072	2.6
GMO Payment Gateway	1,995	1,995	2.5
Sumitomo Rubber (CFD)	1,721	50	2.1
Fast Retailing (CFD)	1,706	(1)	2.1
JSP	1,575	1,575	2.0
FP (CFD)	1,491	212	1.8
Nifco	1,474	1,474	1.8
Kakaku.com (CFD)	1,472	336	1.8
Sumitomo Mitsui (CFD)	1,381	(625)	1.7
GS Yuasa	1,305	1,305	1.6
JP Holdings	1,149	1,149	1.4
Osaka Titanium Technologies	1,144	1,144	1.4
Daikokuten Bussan	1,111	1,111	1.4
Disco	1,101	1,101	1.4
1st Holdings	1,069	1,069	1.3
Asahi Diamond Industrial	1,060	1,060	1.3
Honeys	1,047	1,047	1.3
Asahi Glass (CFD)	1,012	(418)	1.2
Nidec	991	991	1.2
Daiichi Kigenso Kagaku-Kogyo	977	977	1.2
Taikisha	907	907	1.1
Kubota	871	871	1.1
Kuraray	861	861	1.1
Toray Industries	855	855	1.1
Sumitomo Electric Industries	802	802	1.0
GREE	793	793	1.0
Hitachi Transport System	784	784	1.0
Weathernews	777	777	1.0
Denso	777	777	1.0
Terumo	772	772	1.0
Dena	769	769	1.0
Hitachi High Technologies	763	763	0.9
Hitachi Metals	754	754	0.9
Aisin Seiki	750	750	0.9
Ship Healthcare Holdings	734	734	0.9
Nippon Synthetic Chemical Industry	733	733	0.9

Full Portfolio Listing as at 31 December 2011

Investments, including derivatives	Exposure £'000	Fair value[1] £'000	%[2]
Chiba Bank	731	731	0.9
Sanrio	727	727	0.9
Mitsui Chemicals	726	726	0.9
Anicom Holdings	695	695	0.9
UBE Material Industries	691	691	0.9
SMC	683	683	0.8
Sony Financial Holdings	662	662	0.8
Nippon Shokubai	650	650	0.8
TDK	646	646	0.8
Maruichi Steel Tube	628	628	0.8
Orix (CFD)	627	(201)	0.8
Monotaro	607	607	0.8
Nuflare Technology	603	603	0.7
NTT Urban Development (CFD)	603	(250)	0.7
Yokogawa Bridge Holdings	589	589	0.7
Nabtesco	582	582	0.7
Nippon Ceramic	579	579	0.7
Sumitomo Realty & Development	573	573	0.7
Paramount Bed Holdings	543	543	0.7
NGK Spark Plug	526	526	0.7
Murata Manufacturing	522	522	0.6
Star Mica	514	514	0.6
Fanuc	511	511	0.6
H.I.S.	502	502	0.6
THK	483	483	0.6
Zeon	473	473	0.6
Toda Kogyo	463	463	0.6
Topre	460	460	0.6
Sanyo Denki	428	428	0.5
Furuno Electric	417	417	0.5
Shimadzu	408	408	0.5
Calsonic Kansei	402	402	0.5
Futaba Industrial	391	391	0.5
Kinugawa Rubber Industries	386	386	0.5
Eiken Chemical	384	384	0.5
Hisaka Works	381	381	0.5
Harmonic Drive Systems	377	377	0.5
Asahi Intecc	368	368	0.5
Aeon Delight	360	360	0.4
3-D Matrix	357	357	0.4
Taiko Pharmaceutical	344	344	0.4

Full Portfolio Listing as at 31 December 2011

Investments, including derivatives	Exposure £'000	Fair value[1] £'000	%[2]
Geomatec	330	330	0.4
Tsukui	287	287	0.4
Amiyaki Tei	267	267	0.3
Synergy Marketing	225	225	0.3
Aeon Fantasy	217	217	0.3
Ahresty	163	163	0.2
Asahi Net	156	156	0.2
Tsubakimoto Chain	152	152	0.2
Medical Net Communication	141	141	0.2
Startia	125	125	0.2
Ringer Hut	105	105	0.1
Nippon Kodoshi	69	69	0.1
Optex Fa Company	64	64	0.1
Nagawa	42	42	0.1
WDB Holdings	31	31	–
Toyo Kohan	22	22	–
Oricon	11	11	–
Total Portfolio (including derivatives)	77,023	58,798	95.4
Cash and other net current assets	3,737	3,737	4.6
	80,760	62,535	100.0

1 Fair value represents the carrying value in the Balance Sheet on page 35
2 % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs, plus cash and other net current assets

GEARING	2011 £'000	2010 £'000
Investments at fair value	58,807	62,564
Exposure to long CFDs	18,216	16,626
Total Portfolio Exposure	77,023	79,190
Total Net Assets	62,535	65,488
Total Portfolio Exposure to Total Net Assets	123.2%	120.9%

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity Japanese Values PLC will be held at 25 Cannon Street, London EC4M 5TA, on 10 May 2012 at 12 noon for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2011.

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

3. To re-elect Mr Nicholas Barber as a Director.

4. To approve the Directors' Remuneration Report for the year ended 31 December 2011.

5. To reappoint Grant Thornton UK LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company.

6. To authorise the Directors to determine the Auditor's remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions of which Resolution 7 will be proposed as an ordinary resolution and Resolutions 8 and 9 as special resolutions:

Resolutions 7 and 8 will, if approved, authorise the Directors to allot a limited number of currently unissued ordinary shares for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The limit set by the Board is 5% of the number of ordinary shares of the Company in issue on 16 March 2012. The Directors will only issue new shares under this authority to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so.

7. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company ("equity securities") up to an aggregate nominal amount of £1,218,125 (approximately 5% of the aggregate nominal amount of the issued ordinary share capital of the Company as at 16 March 2012) such authority to expire at the conclusion of the next Annual General Meeting of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require equity securities to be allotted after such expiry as if the authority conferred by this resolution had not expired.

8. THAT, subject to the passing of Resolution 7 set out above, the Directors be and they are hereby generally and unconditionally authorised, pursuant to Sections 570 and 573 of the Companies Act 2006 to allot equity securities (as defined in Section 560 of that Act) for cash pursuant to the authority given by the said Resolution 7 as if Section 561 of that Act did not apply to any such allotment, provided that this power shall be limited:

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

   b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £1,218,125 (approximately 5 per cent of the aggregate nominal amount of the issued share capital of the Company as at 16 March 2012); and

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

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

Resolution 9 is a special resolution which, if approved, will renew the Company's authority to purchase its ordinary shares and subscription shares for cancellation. The limit set by the Board is 14.99% respectively of the number of ordinary shares and subscription shares in issue on 16 March 2012. Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board and in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share, thereby resulting in an increase in the net asset value per share.

Notice of Meeting

9. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 25p each in the capital of the Company (the "ordinary shares") and of subscription shares of 5 pence each (the "subscription shares") provided that:

   a) the maximum number of shares hereby authorised to be purchased shall be 14,608,000 ordinary shares and 2,584,000 subscription shares;

   b) the minimum price which may be paid for an ordinary share is 25p and the minimum price which may be paid for a subscription share is 5p;

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

   d) the maximum price payable for a subscription share will not exceed the higher of (i) 5% above the average of the middle market quotations (as derived from the Official List) for the five consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made and (ii) the higher of the price quoted for (a) the last independent trade of, or (b) the highest current independent bid for, any number of subscription shares on the trading venue where the purchase is carried out;

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

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

By Order of the Board
FIL Investments International
Secretary
April 2012

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy or proxies to attend and to speak and vote instead of him. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.

2. A Form of Proxy is enclosed and must be returned to the Registrars at the address on the form to arrive not later than 12 noon on 8 May 2012. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if they so wish.

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

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

5. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 12 noon on 8 May 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrars no later than 12 noon on 8 May 2012.

6. All members are entitled to attend and vote at the Annual General Meeting and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at 12 noon on 8 May 2012.

7. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in paragraph 1 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.

Notice of Meeting

8. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding 3 per cent or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Services Authority.

9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes they may cast), members must be entered on the Register of Members by 6.00pm on 8 May 2012. If the meeting is adjourned then, to be so entitled, members must be entered on the Register of Members at 6.00pm on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.

10. As at 16 March 2012 (the latest practicable date prior to the publication of this document) the Company's issued ordinary share capital consisted of 97,452,163 ordinary shares carrying one vote each and 17,240,671 subscription shares without voting rights. Therefore, the total number of voting rights in the Company as at 16 March 2012 was 97,452,163.

11. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

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

13. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which annual reports and financial statements were laid. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.

14. Under Section 338 and Section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in such business. A resolution may properly be moved or a matter may properly be included in the business of the meeting unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business of the meeting, must be authorised by the person or persons making it, must be received by the Company not later than 26 March 2012 being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business of the meeting only) must be accompanied by a statement setting out the grounds for the request.

15. No Director has a service contract with the Company.

16. A copy of this notice and other information required by Section 311A of the Companies Act 2006 is published on the Company's website at www.fidelity.co.uk/its

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

Investing in Fidelity Japanese Values PLC

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

INVESTING INSIDE AN ISA

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

The maximum investment in a stocks and shares ISA is £10,680 for the 2011/2012 tax year and for 2012/2013 the new allowance is £11,280. The full amount may be invested in a Stocks and Shares ISA, or you can invest up to half the ISA allowance in a Cash ISA and the balance in a Stocks and Shares ISA. The minimum investment per fund in the Fidelity ISA is £1,000 as a lump sum, £250 as a top-up, or £50 a month per company in a regular savings plan.

Charges – The standard initial charge for the Fidelity ISA is 3.5% but if you use the online application form you will pay just 1.25% initial charge. Fidelity pays stamp duty from the initial charge. There are no other charges for the Fidelity ISA, but the Company pays an annual management charge to Fidelity of 1.00%, as set out in the Annual Report.

MOVING MONEY FROM PREVIOUS ISAS

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

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

INVESTING OUTSIDE AN ISA

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

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

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

BENEFICIAL OWNERS OF SHARES – INFORMATION RIGHTS

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

INVESTING ONLINE

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

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

Investing in Fidelity Japanese Values PLC

CONTACT INFORMATION

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

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

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

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

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

Fidelity Share Plan investors
Fidelity Investment Trust Share Plan, Block C, Western House, Lynchwood Business Park, Peterborough, PE2 6BP. Telephone: 0845 358 1107 (calls to this number are charged at 3.95p per minute from a BT landline dependent on the tariff. Other telephone service providers' costs may vary.)

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

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

ONLINE SHAREHOLDER SERVICES – SHARE PORTAL

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

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

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

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

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

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

Dividend Reinvestment Plan – This is a convenient way to build up your shareholding by using your cash dividends to buy more shares in the Company. If you prefer to receive shares for your next dividend instead of cash please complete an application form online at www.capitashareportal.com or call Capita IRG Trustees on 0871 644 0381 (calls cost 10p per minute plus network extras) from the UK or +44 20 8639 3402 from overseas.

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

KEEPING YOU UPDATED

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

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

Investing in Fidelity Japanese Values PLC

FURTHER INFORMATION

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

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

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

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

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

Issued by Fidelity Japanese Values PLC.

Please note that the value of investments and the income from them may fall as well as rise and the investor may not get back the amount originally invested. Past performance is not a guide to future returns. For funds that invest in overseas markets, changes in currency exchange rates may affect the value of your investment. Investing in small and emerging markets can be more volatile than older developed markets. Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only. Investors should also note that the views expressed may no longer be current and may have already been acted upon by Fidelity.

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

Warning to Shareholders

SHARE FRAUD WARNING

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

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

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

PROTECT YOURSELF

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

1. Get the name of the person and organisation contacting you.

2. Check the FSA Register at **www.fsa.gov.uk/fsaregister** to ensure they are authorised.

3. Use the details on the FSA Register to contact the firm.

4. Call the FSA Consumer Helpline on **0845 606 1234** if there are no contact details on the Register or you are told they are out of date.

5. Search our list of unauthorised firms and individuals to avoid doing business with.

6. **REMEMBER: if it sounds too good to be true, it probably is!**

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

REPORT A SCAM

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

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

0300 123 2040

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