

## **FIDELITY JAPAN TRUST PLC**

Half-Yearly Report for the six months ended 30 June 2020

### **Financial Highlights:**

- **In a period of extraordinary global turmoil precipitated by the coronavirus pandemic, Fidelity Japan Trust PLC's net asset value ("NAV") increased by 2.3% in sterling terms, outperforming the Reference Index which returned -0.8% and the average of the peer group which returned 0.7%.**
- **As at 30 June 2020, the discount to NAV was 8.7% which compared well with the average of the peer group of 10.7%**
- **Core holdings in internet services, medtech and factory automation related companies contributed to the Company's outperformance against the Reference Index.**

### **Contacts**

**For further information, please contact:**

Natalia de Sousa - Company Secretary

01737 837846

## PORTFOLIO MANAGER'S REVIEW

### MARKET REVIEW

In a period of extraordinary global turmoil precipitated by the coronavirus pandemic, over the past six months the Japanese equity market experienced both the biggest drawdown and sharpest recovery of recent decades. Key indices entered bear territory in early March 2020, as risk assets were sold-off globally on fears over the social and economic costs of the virus. At this time, the strengthening of the yen to the mid ¥120 levels against the pound provided some support for sterling-based returns.

Sentiment started to recover somewhat as the increase in COVID-19 cases appeared to be brought under control and global economies started reopening. Signs of a nascent recovery in macroeconomic indicators supported the upturn in the market, though a resurgence in infections in the US tempered gains and on this front, I remain watchful.

At a sector level, healthcare, communications and technology were the strongest performers, led by medtech, internet subscription and semiconductor-related companies. Conversely, energy, real estate and financials experienced the most significant declines. In terms of style, mid to large cap growth companies generated the strongest returns, significantly outperforming value stocks.

The Japanese economy had already entered a technical recession in the first three months of 2020, before the full impact of COVID-19 had been fully understood, with a steeper correction anticipated in the second quarter. In order to mitigate the economic impact of the pandemic, Shinzo Abe's cabinet approved a second supplementary budget, elevating its combined stimulus package to around 40% of Japan's GDP. The Bank of Japan also expanded its quantitative easing programme and increased support for the corporate sector. While the economic impact of the pandemic continues to unfold, it is important to bear in mind that markets are not always well correlated with economic growth and that periods of volatility create opportunities.

### PORTFOLIO REVIEW

In the six months to 30 June 2020, the Company's net asset value ("NAV") increased by 2.3% in sterling terms, outperforming the Reference Index which returned -0.8%. The share price return was flat at 0.0% in the same period. The average peer group NAV performance was a return of 0.7% and that of the share price was -3.0%. As a result of the Company's share price performance, the discount widened to 8.7% from 6.6% at the start of the period. This compared well with the average of the peer group which was 10.7%.

Returns were sharply negative in the first quarter of 2020, led by holdings in technology related cyclicals and small cap services stocks. However, performance recovered strongly in the second quarter and core positions in internet services, medtech and factory automation related companies contributed to the Company's outperformance against the Reference Index.

The holding in Olympus, a global leader in endoscopes, was a standout contributor to returns. The company's share price climbed to a record high after it announced plans to sell its loss-making camera business to private equity firm Japan Industrial Partners. The investment thesis, underpinned by the strength of its endoscope business, a new product cycle in fiscal 2020 and management's commitment to improving profitability, remains strong and we expect its valuation discount to global peers to continue to shrink.

The position in JustSystems was also a key contributor to performance. The company, which provides tablet based educational software for school students, continued to gain market share owing to the success of its customisable digital offering. A sharp increase in sales of tablets owing to a surge in home learning was a further tailwind for the stock. Meanwhile, shares in bicycle components maker Shimano rebounded and factory automation related companies MISUMI Group and Keyence added value amid firm trends for semiconductor and fifth generation (5G) applications.

Conversely, confectionary company Kotobuki Spirits detracted from performance as travel restrictions hampered demand for its souvenir sweets and cakes. However, it has a strong balance sheet and can take market share from weaker rivals. It will also benefit from government incentives to encourage domestic travel. Elsewhere, positions in semiconductor related companies, including Screen Holdings and Renesas Electronics, underperformed. Nevertheless, orders are at or close to a trough, and both earnings and margins are expected to improve significantly into fiscal year 2021.

There have not been any significant changes to the overall composition of the Company's holdings. I have maintained the overweight exposure to the technology sector, with a focus on companies that will benefit from the shift to 5G and a new data-driven work-from-home cycle. Key holdings include Murata Manufacturing and TDK. At the same time, I am looking at domestic services stocks that are well positioned to recover and grow their businesses as restrictions are lifted. Companies in internet services, ecommerce and educational software that can benefit from changes in the way we work, shop and play look interesting. There is likely to be a longer term impact on how companies do business together and how their processes can become more resilient through, for example, the use of online and cloud computing. Japanese companies have generally been laggards in terms of building that resilience, and the current COVID-19 crisis is highlighting the need for them to enhance their digital capabilities. Companies that can supply some of the services to facilitate corporate Japan's digital transformation offer attractive growth opportunities.

The level of gearing increased over the review period, from 17% to 25%. The market correction in the first quarter created opportunities to add or increase positions in attractive growth stocks in the communications, technology and healthcare sectors, which I believe will contribute to future returns for the Company.

### APPOINTMENT OF ASSISTANT PORTFOLIO MANAGER

A key part of Fidelity's ongoing investment innovation programme is the introduction of Assistant and Co-Portfolio Managers into its equity strategies, where appropriate. Fidelity is evolving its approach to talent development, enhancing decision-making and improving succession planning whilst maintaining the quality and breadth of research and encouraging a greater contribution from portfolio managers to research.

The Board has agreed with Fidelity that, with effect from 1 September 2020, Cenk Simsek will be appointed as Assistant Portfolio Manager to work alongside me. We have worked closely together in recent years and, in many ways, this is just a formalisation of a long-standing relationship that has been working very well. Cenk is a talented analyst and investor, with extensive experience in the Japanese market - especially with technology companies. Cenk will help me with oversight of my different strategies and mandates and will assist in client servicing and marketing.

### OUTLOOK

Globally, bear markets often create turning points and changes in market leadership. Therefore, I am looking at some discarded stocks that are likely to emerge stronger from this unprecedented situation. Significant fiscal stimulus and government subsidies could throw up new leadership and new winners from discarded losers. Although volatility may continue in the short term, it would enable the Company to invest in strong growth names at attractive valuations, which should create positive long term outcomes for clients.

Japan continues to offer an attractive combination of cash rich companies, low relative valuations and secular growth opportunities. Fidelity's research capabilities are extensive, and Cenk and I are fortunate to be supported by a diligent team of analysts in Japan. The team's on the ground knowledge is invaluable when looking at the micro level and speaking with company management to fully understand the current dynamics. This puts us in a strong position to continue to identify mispriced winners and reward investors against a challenging macro backdrop.

**NICHOLAS PRICE**  
**Portfolio Manager**

31 July 2020

## INTERIM MANAGEMENT REPORT

### BOARD CHANGES

As stated in the Annual General Meeting results announcement released on 19 May 2020, 21% of votes had been received against resolution 4 – the re-election of Philip Kay. The Board discussed this matter internally and engaged with major shareholders to obtain their views. The Board has determined that it should revise and accelerate its succession plans. With this in mind, Philip Kay will step down from the Board on 31 December 2020.

A recruitment search has been completed for an independent non-executive Director and the Board is pleased to confirm that David Barron will be joining the Board with effect from 20 October 2020, allowing for a brief handover period before Mr Kay steps down.

Mr Barron spent 25 years working in the investment management sector and was until November 2019 Chief Executive Officer of Miton Group PLC following six years with the firm. Prior to this he was Head of Investment Trusts at JP Morgan Asset Management for more than ten years having joined Robert Fleming in 1995. He is currently Chairman of Dunedin Income Growth Investment Trust PLC and a non-executive Director of Premier Miton Group PLC. He is also a lay-member of the Council of Lancaster University.

He is a Member of the Institute of Chartered Accountants of Scotland having qualified with Thomson McLintock (now KPMG).

### PRINCIPAL RISKS AND UNCERTAINTIES

The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited, the Manager), has developed a risk matrix which, as part of the risk management and internal controls process, has identified the key risks and uncertainties faced by the Company. These principal risks and uncertainties fall into the following categories: market risk; performance risk; economic, geopolitical and natural disaster risks; key person risk; discount control risk; gearing risk; currency risk; cybercrime risk; pandemic risk; tax and regulatory risks; and operational risks. Information on each of these risks is given in the Strategic Report section of the Annual Report for the year ended 31 December 2019 and can be found on the Company's pages of the Manager's website at [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com).

### CORONAVIRUS (COVID-19)

The risks arising from COVID-19 are being kept under constant review by the Board and the Manager. The Manager has contingency plans in place to allow for the continuation of Fidelity's operations and to look after the safety of their employees.

Investors should be prepared for market fluctuations and remember that holding shares in the Company should be considered to be a long term investment. These risks are somewhat mitigated by the investment trust structure of the Company which means that no forced sales will need to take place to deal with any redemptions. Therefore, investments in the Company's portfolio can be held over a longer time horizon.

The Manager is keeping its business continuity plans and operational resilience strategies under constant review and will take all reasonable steps to continue meeting its regulatory obligations and to assess operational risks, the ability to continue operating and the steps it needs to take to serve and support its clients, including the Board. For example, to enhance its resilience, the Manager has mandated work from home arrangements and implemented split team working for those whose work is deemed necessary to be carried out in the office. The Manager has also imposed self-isolation arrangements on staff in line with Government recommendations and guidance. The Company's other third party service providers have also implemented similar measures to ensure business disruption can be kept to a minimum.

### SHARE REPURCHASES AND TREASURY SHARES

In the six months to 30 June 2020, the Company repurchased 1,704,845 ordinary shares into Treasury. Since the end of the reporting period and as at the date of this report, the Company has repurchased a further 352,500 ordinary shares into Treasury.

### TRANSACTIONS WITH THE MANAGER AND RELATED PARTIES

The Manager has delegated the Company's portfolio management and company secretarial services to FIL Investments International. Transactions with the Manager and related party transactions with the Directors are disclosed in Note 13 to the Financial Statements.

### GOING CONCERN STATEMENT

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its expenditure and cash flow projections and have concluded that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of this Half-Yearly Report. Accordingly, they continue to adopt the going concern basis in preparing these Financial Statements.

This conclusion also takes into account the Board's assessment of the risks arising from COVID-19.

Continuation votes are held every three years and the next continuation vote will be put to shareholders at the Annual General Meeting in 2022.

### BY ORDER OF THE BOARD FIL INVESTMENTS INTERNATIONAL

31 July 2020

## DIRECTORS' RESPONSIBILITY STATEMENT

The Disclosure and Transparency Rules (DTR) of the UK Listing Authority require the Directors to confirm their responsibilities in relation to the preparation and publication of the Interim Management Report and Financial Statements.

The Directors confirm to the best of their knowledge that:

- the condensed set of Financial Statements contained within the Half-Yearly Report has been prepared in accordance with the Financial Reporting Council's Standard FRS 104: Interim Financial Reporting; and
- the Interim Management Report, together with the Portfolio Manager's Review, includes a fair review of the information required by DTR 4.2.7R and 4.2.8R.

The Half-Yearly Report has not been audited or reviewed by the Company's Independent Auditor.

The Half-Yearly Report was approved by the Board on 31 July 2020 and the above responsibility statement was signed on its behalf by David Robins, Chairman.

## TWENTY LARGEST HOLDINGS AS AT 30 JUNE 2020

The Portfolio Exposures shown below measure exposure to market price movements as a result of owning shares and derivative instruments. The Balance Sheet Value is the actual value of the portfolio. Where a contract for difference ("CFD") is held, the Balance Sheet Value reflects the profit or loss on the contract since it was opened and is based on how much the share price of the underlying share has moved.

	Portfolio Exposure £'000	% <sup>1</sup>	Balance Sheet Value £'000
<b>Exposures – shares unless otherwise stated</b>			
<b>Olympus (shares and long CFD)</b> Manufacturer of optical and digital precision technology	16,694	6.6	8,635
<b>Shimano (shares and long CFD)</b> Manufacturer of cycling components, rowing equipment and fishing tackle	15,942	6.2	11,291
<b>JustSystems</b> Developer and distributor of computer software	15,548	6.1	15,548
<b>Z Holdings (shares and long CFD)</b> Internet provider	13,973	5.5	7,715
<b>MISUMI Group</b> Distributor of precision machinery parts	12,712	5.0	12,712
<b>Murata Manufacturing (shares and long CFD)</b> Designer, manufacturer and supplier of advanced electronic materials and components	12,223	4.8	6,926
<b>Keyence (shares and long CFD)</b> Manufacturer of factory automation related sensors	10,139	4.0	8,036
<b>SoftBank Group (long CFD)</b> Multinational conglomerate with stakes in technology, energy and financial companies	8,818	3.5	1,488
<b>TDK (shares and long CFD)</b> Manufacturer of electronic components	8,546	3.3	6,280
<b>Daikin Industries</b> Manufacturer of air conditioning equipment	8,077	3.2	8,077
<b>Recruit Holdings (shares and long CFD)</b> Provider of human resource services	7,985	3.1	3,722
<b>Yaskawa Electric</b> Manufacturer of servos, motion sensors, AC motor drives, switches and industrial robots	6,712	2.6	6,712
<b>Eisai (long CFD)</b> Pharmaceutical company	6,544	2.6	557
<b>Yamaha Corporation</b> Musical instrument and audio equipment maker	6,534	2.6	6,534
<b>Nojima</b> Retailer of household appliances	5,868	2.3	5,868
<b>Tokyo Electron (shares and long CFD)</b> Manufacturer of electronics and semiconductors	5,801	2.2	3,646
<b>Open House (shares and long CFD)</b> Real estate company	5,097	2.0	2,136
<b>NOF</b> Manufacturer of speciality chemicals	5,083	2.0	5,083
<b>Fujitsu (shares and long CFD)</b> Provider of information technology equipment and services	4,945	1.9	2,501
<b>UT Group</b> Dispatch and outsourcing service provider for the manufacturing industry	4,896	1.9	4,896

<b>Twenty largest exposures</b>	----- <b>182,137</b>	----- <b>71.4</b>	----- <b>128,363</b>
Other exposures	136,092	53.4	122,744
<b>Total Portfolio Exposure<sup>2</sup></b>	----- <b>318,229</b> =====	----- <b>124.8</b> =====	
<b>Total Portfolio Fair Value<sup>3</sup></b>			----- <b>251,107</b>
Net current assets excluding derivative instruments <sup>4</sup>			3,821
<b>Shareholders' Funds (per the Balance Sheet)</b>			----- <b>254,928</b> =====

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

2 Total Portfolio Exposure comprises market exposure to investments of £239,608,000 plus market exposure to derivative instruments of £78,621,000 (see Note 12).

3 Total Portfolio Fair Value comprises investments of £239,608,000 plus derivative assets of £12,562,000 less derivative liabilities of £1,063,000 (per the Balance Sheet).

4 Net current assets excluding derivative instruments comprise debtors of £1,253,000 plus cash at bank of £4,175,000 less other creditors of £1,607,000 (per the Balance Sheet).

## FINANCIAL STATEMENTS

### INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	six months ended 30 June 2020 unaudited			six months ended 30 June 2019 unaudited			year ended 31 December 2019 audited		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments		–	(373)	(373)	–	21,140	21,140	–	52,982	52,982
Gains on derivative instruments		–	4,988	4,988	–	6,072	6,072	–	14,155	14,155
Income	4	1,867	–	1,867	1,605	–	1,605	2,906	–	2,906
Investment management fees	5	(160)	(608)	(768)	(720)	202	(518)	(1,555)	329	(1,226)
Other expenses		(289)	–	(289)	(327)	–	(327)	(600)	–	(600)
Foreign exchange (losses)/gains		–	(169)	(169)	–	(55)	(55)	–	16	16
<b>Net return on ordinary activities before finance costs and taxation</b>		1,418	3,838	5,256	558	27,359	27,917	751	67,482	68,233
Finance costs	6	(10)	(38)	(48)	(47)	–	(47)	(93)	–	(93)
<b>Net return on ordinary activities before taxation</b>		1,408	3,800	5,208	511	27,359	27,870	658	67,482	68,140
Taxation on return on ordinary activities	7	(144)	–	(144)	(142)	–	(142)	(261)	–	(261)
<b>Net return on ordinary activities after taxation for the period</b>		1,264	3,800	5,064	369	27,359	27,728	397	67,482	67,879
<b>Return per ordinary share</b>	8	0.95p	2.87p	3.82p	0.27p	20.27p	20.54p	0.29p	50.23p	50.52p

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

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

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

### STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	share capital £'000	share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total shareholders' funds £'000
<b>Six months ended 30 June 2020 (unaudited)</b>								
<b>Total shareholders' funds at 31 December 2019</b>		34,041	20,722	2,767	52,815	156,520	(14,374)	252,491
Repurchase of ordinary shares	10	–	–	–	(2,627)	–	–	(2,627)
Net return on ordinary activities after taxation for the period		–	–	–	–	3,800	1,264	5,064
<b>Total shareholders' funds at 30 June 2020</b>		34,041	20,722	2,767	50,188	160,320	(13,110)	254,928
<b>Six months ended 30 June 2019 (unaudited)</b>								
<b>Total shareholders' funds at 31 December 2018</b>		34,041	20,722	2,767	55,733	89,038	(14,771)	187,530

Repurchase of ordinary shares	10	–	–	–	(503)	–	–	(503)
Net return on ordinary activities after taxation for the period		–	–	–	–	27,359	369	27,728
<b>Total shareholders' funds at 30 June 2019</b>		34,041	20,722	2,767	55,230	116,397	(14,402)	214,755
<b>Year ended 31 December 2019 (audited)</b>								
<b>Total shareholders' funds at 31 December 2018</b>		34,041	20,722	2,767	55,733	89,038	(14,771)	187,530
Repurchase of ordinary shares	10	–	–	–	(2,918)	–	–	(2,918)
Net return on ordinary activities after taxation for the year		–	–	–	–	67,482	397	67,879
<b>Total shareholders' funds at 31 December 2019</b>		34,041	20,722	2,767	52,815	156,520	(14,374)	252,491

## BALANCE SHEET AS AT 30 JUNE 2020

Company Number 2885584

	Notes	30.06.20 unaudited £'000	31.12.19 audited £'000	30.06.19 unaudited £'000
<b>Fixed assets</b>				
Investments	9	239,608	249,099	211,396
<b>Current assets</b>				
Derivative instruments	9	12,562	3,048	3,154
Debtors		1,253	899	1,357
Cash at bank		4,175	1,196	2,137
		17,990	5,143	6,648
<b>Creditors</b>				
Derivative instruments	9	(1,063)	(1,075)	(1,863)
Other creditors		(1,607)	(676)	(1,426)
		(2,670)	(1,751)	(3,289)
<b>Net current assets</b>		15,320	3,392	3,359
<b>Net assets</b>		254,928	252,491	214,755
<b>Capital and reserves</b>				
Share capital	10	34,041	34,041	34,041
Share premium account		20,722	20,722	20,722
Capital redemption reserve		2,767	2,767	2,767
Other reserve		50,188	52,815	55,230
Capital reserve		160,320	156,520	116,397
Revenue reserve		(13,110)	(14,374)	(14,402)
<b>Total shareholders' funds</b>		254,928	252,491	214,755
<b>Net asset value per ordinary share</b>	11	193.86p	189.55p	159.35p

## NOTES TO THE FINANCIAL STATEMENTS

### 1 PRINCIPAL ACTIVITY

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

### 2 PUBLICATION OF NON-STATUTORY ACCOUNTS

The Financial Statements in this Half-Yearly Report have not been audited by the Company's Independent Auditor and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 (the Act). The financial information for the year ended 31 December 2019 is extracted from the latest published Financial Statements of the Company. Those Financial Statements were delivered to the Registrar of Companies and included the Independent Auditor's Report which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Act.

### 3 BASIS OF PREPARATION

The Company prepares its Financial Statements on a going concern basis and in accordance with UK Generally Accepted Accounting Practice (“UK GAAP”) and FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council. The Financial Statements are also prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (“SORP”) issued by the Association of Investment Companies (“AIC”) in October 2019. FRS 104: Interim Financial Reporting has also been applied in preparing this condensed set of Financial Statements. The accounting policies followed are consistent with those disclosed in the Company’s Annual Report and Financial Statements for the year ended 31 December 2019.

With effect from 1 January 2020, 20% of base investment management fees and finance costs are charged to revenue and 80% to capital.

#### 4 INCOME

	six months ended 30.06.20 unaudited £'000	six months ended 30.06.19 unaudited £'000	year ended 31.12.19 audited £'000
<b>Investment income</b>			
Overseas dividends	1,437	1,415	2,607
<b>Derivative income</b>			
Dividends received on long CFDs	430	190	299
	-----	-----	-----
<b>Total income</b>	<b>1,867</b>	<b>1,605</b>	<b>2,906</b>
	=====	=====	=====

No special dividends have been recognised in capital during the period (six months ended 30 June 2019: £nil and year ended 31 December 2019: £nil).

#### 5 INVESTMENT MANAGEMENT FEES

	revenue <sup>1</sup> £'000	capital <sup>1</sup> £'000	total £'000
<b>Six months ended 30 June 2020 (unaudited)</b>			
Investment management fees – base	160	640	800
Investment management fees – variable <sup>2</sup>	–	(32)	(32)
	-----	-----	-----
	<b>160</b>	<b>608</b>	<b>768</b>
	=====	=====	=====
<b>Six months ended 30 June 2019 (unaudited)</b>			
Investment management fees – base	720	–	720
Investment management fees – variable <sup>2</sup>	–	(202)	(202)
	-----	-----	-----
	<b>720</b>	<b>(202)</b>	<b>518</b>
	=====	=====	=====
<b>Year ended 31 December 2019 (audited)</b>			
Investment management fees – base	1,555	–	1,555
Investment management fees – variable <sup>2</sup>	–	(329)	(329)
	-----	-----	-----
	<b>1,555</b>	<b>(329)</b>	<b>1,226</b>
	=====	=====	=====

<sup>1</sup> As disclosed in Note 3, base investment management fees for the six months ended 30 June 2020 were charged 20% to revenue and 80% to capital. For the year ended 31 December 2019 and the six months ended 30 June 2019, base investment management fees were charged 100% to revenue.

<sup>2</sup> For the calculation of the variable management fee element, the Company’s NAV return was compared to the Reference Index return for the period from 1 July 2018 to the relevant reporting dates. This has resulted in an underperformance of the NAV and therefore a credit to the Company.

FIL Investment Services (UK) Limited is the Company’s Alternative Investment Fund Manager and has delegated portfolio management to FIL Investments International (“FIL”). Both companies are Fidelity group companies.

FIL charges base investment management fees at an annual rate of 0.70% of net assets. In addition, there is a +/- 0.20% variation fee based on performance relative to the Reference Index. Fees are payable monthly in arrears and are calculated on a daily basis.

#### 6 FINANCE COSTS

	revenue <sup>1</sup> £'000	capital <sup>1</sup> £'000	total £'000
<b>Six months ended 30 June 2020 (unaudited)</b>			
Interest paid on long CFDs	9	34	43
Interest on bank overdrafts	1	4	5
	-----	-----	-----
	<b>10</b>	<b>38</b>	<b>48</b>
	=====	=====	=====
<b>Six months ended 30 June 2019 (unaudited)</b>			
Interest paid on long CFDs	42	–	42
Interest on bank overdrafts	5	–	5
	-----	-----	-----
	<b>47</b>	<b>–</b>	<b>47</b>
	=====	=====	=====
<b>Year ended 31 December 2019 (audited)</b>			

Interest paid on long CFDs	86	–	86
Interest on bank overdrafts	7	–	7
	-----	-----	-----
	93	–	93
	=====	=====	=====

1 As disclosed in Note 3, finance costs for the six months ended 30 June 2020 were charged 20% to revenue and 80% to capital. For the year ended 31 December 2019 and the six months ended 30 June 2019, finance costs were charged 100% to revenue.

## 7 TAXATION ON RETURN ON ORDINARY ACTIVITIES

The taxation charge of £144,000 (six months ended 30 June 2019: £142,000 and year ended 31 December 2019: £261,000) is irrecoverable overseas taxation suffered on dividend income.

## 8 RETURN PER ORDINARY SHARE

	six months ended 30.06.20 unaudited	six months ended 30.06.19 unaudited	year ended 31.12.19 audited
Revenue return per ordinary share	0.95p	0.27p	0.29p
Capital return per ordinary share	2.87p	20.27p	50.23p
	-----	-----	-----
<b>Total return per ordinary share</b>	<b>3.82p</b>	<b>20.54p</b>	<b>50.52p</b>
	=====	=====	=====

The return per ordinary share is based on the net return on ordinary activities after taxation for the period divided by the weighted average number of ordinary shares held outside of Treasury during the period, as shown below:

	£'000	£'000	£'000
Net revenue return on ordinary activities after taxation for the period	1,264	369	397
Net capital return on ordinary activities after taxation for the period	3,800	27,359	67,482
	-----	-----	-----
<b>Net total return on ordinary activities after taxation for the period</b>	<b>5,064</b>	<b>27,728</b>	<b>67,879</b>
	=====	=====	=====
	number	number	number
Weighted average number of ordinary shares held outside of Treasury during the period	132,533,464	134,949,073	134,354,398
	=====	=====	=====

## 9 FAIR VALUE HIERARCHY

The Company is required to disclose the fair value hierarchy that classifies its financial instruments measured at fair value at one of three levels, according to the relative reliability of the inputs used to estimate the fair values.

Classification	Input
<b>Level 1</b>	Valued using quoted prices in active markets for identical assets
<b>Level 2</b>	Valued by reference to inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
<b>Level 3</b>	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 table below sets out the Company's fair value hierarchy:

	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
30 June 2020 (unaudited)				
<b>Financial assets at fair value through profit or loss</b>				
Investments	233,946	–	5,662	239,608
Derivative instrument assets	–	12,562	–	12,562
	-----	-----	-----	-----
	233,946	12,562	5,662	252,170
	=====	=====	=====	=====
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative instrument liabilities	–	(1,063)	–	(1,063)
	=====	=====	=====	=====
31 December 2019 (audited)				
<b>Financial assets at fair value through profit or loss</b>				
Investments	245,423	–	3,676	249,099
Derivative instrument assets	–	3,048	–	3,048
	-----	-----	-----	-----
	245,423	3,048	3,676	252,147
	=====	=====	=====	=====
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative instrument liabilities	–	(1,075)	–	(1,075)

	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
30 June 2019 (unaudited)				
<b>Financial assets at fair value through profit or loss</b>				
Investments	211,396	–	–	211,396
Derivative instrument assets	–	3,154	–	3,154
	-----	-----	-----	-----
	211,396	3,154	–	214,550
	=====	=====	=====	=====
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative instrument liabilities	–	(1,863)	–	(1,863)
	=====	=====	=====	=====

## 10 SHARE CAPITAL

	30 June 2020 unaudited		31 December 2019 audited		30 June 2019 unaudited	
	number of shares	£'000	number of shares	£'000	number of shares	£'000
<b>Issued, allotted and fully paid</b>						
<b>Ordinary shares of 25p each held outside of Treasury</b>						
<b>Beginning of the period</b>	133,207,090	33,302	135,136,195	33,784	135,136,195	33,784
Ordinary shares repurchased into Treasury	(1,704,845)	(426)	(1,929,105)	(482)	(368,107)	(92)
	-----	-----	-----	-----	-----	-----
<b>End of the period</b>	131,502,245	32,876	133,207,090	33,302	134,768,088	33,692
	=====	=====	=====	=====	=====	=====
<b>Ordinary shares of 25p each held in Treasury<sup>1</sup></b>						
<b>Beginning of the period</b>	2,954,605	739	1,025,500	257	1,025,500	257
Ordinary shares repurchased into Treasury	1,704,845	426	1,929,105	482	368,107	92
	-----	-----	-----	-----	-----	-----
<b>End of the period</b>	4,659,450	1,165	2,954,605	739	1,393,607	349
	=====	=====	=====	=====	=====	=====
<b>Total share capital</b>		34,041		34,041		34,041
		=====		=====		=====

<sup>1</sup> Ordinary shares held in Treasury carry no rights to vote, to receive a dividend or to participate in a winding up of the Company.

The cost of ordinary shares repurchased into Treasury during the period was £2,627,000 (year ended 31 December 2019: £2,918,000 and six months ended 30 June 2019: £503,000).

## 11 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share is based on net assets of £254,928,000 (31 December 2019: £252,491,000 and 30 June 2019: £214,755,000) and on 131,502,245 (31 December 2019: 133,207,090 and 30 June 2019: 134,768,088) ordinary shares, being the number of ordinary shares of 25 pence each held outside of Treasury at the period end. It is the Company's policy that shares held in Treasury will only be reissued at net asset value per ordinary share or at a premium to net asset value per ordinary share and, therefore, shares held in Treasury have no dilutive effect.

## 12 CAPITAL RESOURCES AND GEARING

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

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

	30 June 2020 unaudited	31 December 2019 audited	30 June 2019 unaudited
Investments	239,608	249,099	211,396
Long CFDs	78,621	46,261	38,971
	-----	-----	-----
<b>Total portfolio exposure</b>	318,229	295,360	250,367
	=====	=====	=====
<b>Shareholders' funds</b>	254,928	252,491	214,755
<b>Gearing<sup>1</sup></b>	24.8%	17.0%	16.6%
	=====	=====	=====

<sup>1</sup> Gearing is the amount by which the total portfolio exposure exceeds shareholders' funds expressed as a percentage of shareholders' funds.

## 13 TRANSACTIONS WITH THE MANAGER AND RELATED PARTIES

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management services and the role of company secretary to FIL Investments International ("FIL"), the Investment Manager. Both companies are Fidelity group companies. Details of the fee arrangements are given in Note 5.

During the period, fees for portfolio management services of £768,000 (six months ended 30 June 2019: £518,000 and year ended 31 December 2019: £1,226,000) and secretarial and administration fees of £25,000 (six months ended 30 June 2019: £25,000 and year ended 31 December 2019: £50,000) were payable to FII. At the Balance Sheet date, fees for portfolio management services of £169,000 (31 December 2019: £160,000 and 30 June 2019: £88,000) and secretarial and administration fees of £13,000 (31 December 2019: £13,000 and 30 June 2019: £nil) were accrued and included in other creditors. FII also provides the Company with marketing services. The total amount payable for these services during the period was £52,000 (six months ended 30 June 2019: £58,000 and year ended 31 December 2019: £101,000). At the Balance Sheet date, £11,000 (31 December 2019: £11,000 and 30 June 2019: £21,000) for marketing services was accrued and included in other creditors.

As at 30 June 2020, the Board consisted of five non-executive Directors (shown in the Directory), all of whom, with the exception of Philip Kay, are considered to be independent by the Board. None of the Directors have a service contract with the Company. The Chairman receives an annual fee of £37,000, the Audit Committee Chairman an annual fee of £30,000 and each other Director an annual fee of £26,000. The following members of the Board hold ordinary shares in the Company: David Robins 37,000 shares, Philip Kay 12,094 shares, Dominic Ziegler 16,000 shares, David Graham 38,394 shares and Sarah MacAulay 92,350 shares.

The financial information contained in this Half-Yearly Results Announcement does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the six months ended 30 June 2020 and 30 June 2019 has not been audited or reviewed by the Company's Independent Auditor.

The information for the year ended 31 December 2019 has been extracted from the latest published audited financial statements, which have been filed with the Registrar of Companies, unless otherwise stated. The report of the Auditor on those financial statements contained no qualification or statement under sections 498(2) or (3) of the Companies Act 2006.

Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

A copy of the Half-Yearly Report will shortly be submitted to the National Storage Mechanism and will be available for inspection at [www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM)

The Half-Yearly Report will also be available on the Company's website at [www.fidelity.co.uk/japantrust](http://www.fidelity.co.uk/japantrust) where up to date information on the Company, including daily NAV and share prices, factsheets and other information can also be found.