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FIDELITY JAPAN TRUST PLC

Annual Report for the year ended 31 December 2019

Objective and Overview

The Company aims to achieve long term capital growth by investing predominantly in equities and related securities of Japanese companies.

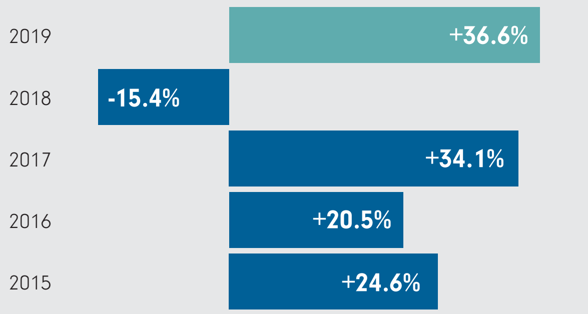
Fidelity Japan Trust PLC uses local know-how to spot Japan's untapped potential.

Around 90% of Japanese small and mid-sized companies get little or no analyst coverage. As under-researched companies are more likely to be undervalued, that's an opportunity.

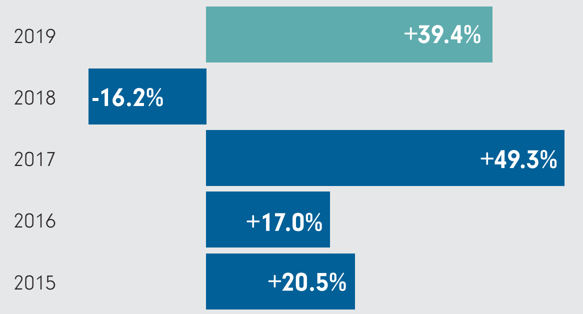
The Company looks to benefit from the more dynamic sectors of Japan's economy, focusing on fast growing but attractively valued stocks. With an acute understanding of this unique region and economy, combined with Fidelity's hands-on local research, Nicholas Price, the Portfolio Manager, and the team of analysts, home in on stocks often not picked out by others.

At a Glance

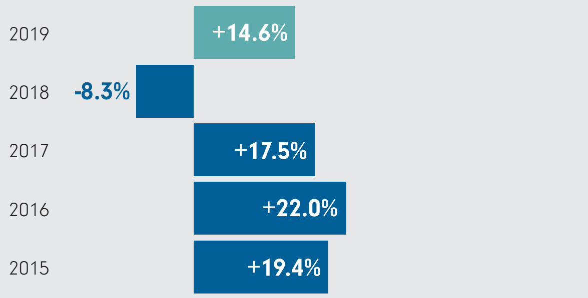
Net Asset Value per Ordinary Share total return
Year ended 31 December[1]



Ordinary Share Price total return
Year ended 31 December[1]



Reference Index (in sterling terms)[2]
Year ended 31 December



1 Net Asset Value per Ordinary Share total return and Ordinary Share Price total return are Alternative Performance Measures. See page 60.
2 The Reference Index changed on 22 May 2018 from the Russell Nomura Mid/Small Index (in sterling terms) to the TOPIX Total Return Index (in sterling terms).

As at 31 December 2019

Shareholders' Funds

£252.5m

Market Capitalisation

£235.8m

Capital Structure
Ordinary Shares of 25 pence held outside Treasury

133,207,090

Summary of the key aspects of the Investment Policy

The Portfolio Manager will typically focus on those companies primarily listed on Japanese stock exchanges whose growth prospects are not fully recognised by the market ("growth at a reasonable price"). The Portfolio Manager is not restricted in terms of size or industry of the underlying entities in which he invests.

The Company can hold cash or invest in cash equivalents, including money market instruments, and is also able to use derivatives for efficient portfolio management, gearing and investment purposes.

The Portfolio Manager must work within the guidelines set out in the Investment Policy.

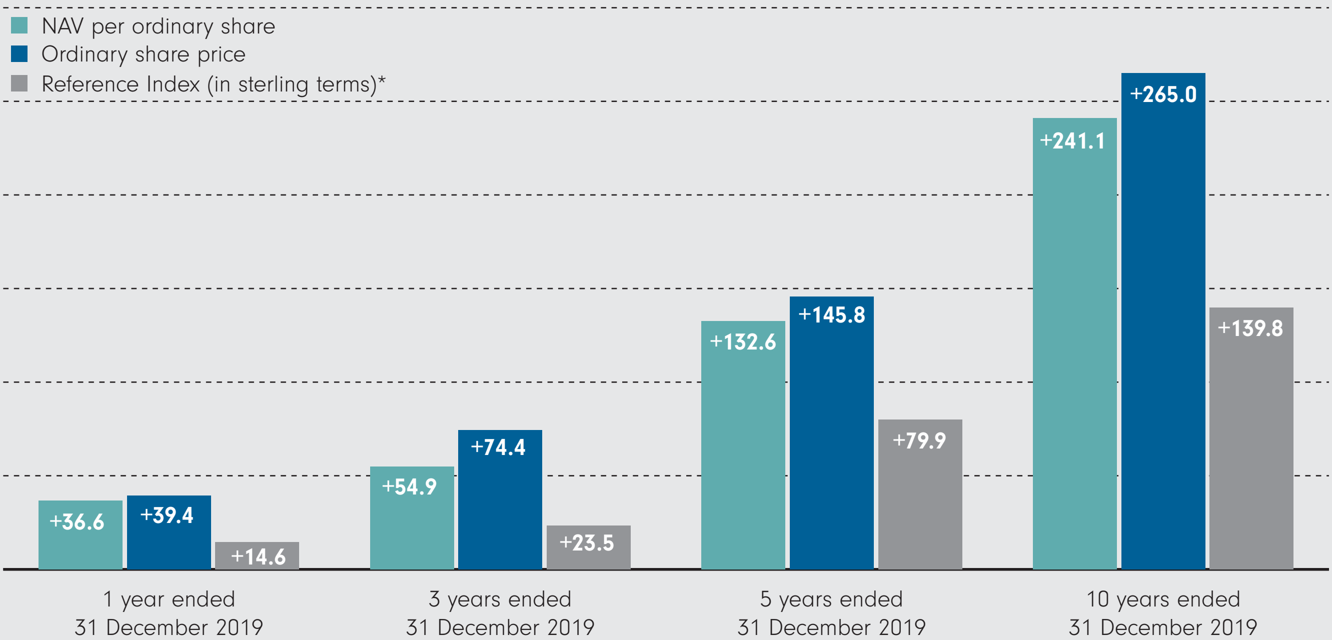
The Company operates a variable management fee arrangement which is calculated by referencing performance relative to the Reference Index (in sterling terms).

Summary of Results

	2019	2018
Assets at 31 December		
Total portfolio exposure[1]	**£295.4m**	£216.0m
Shareholders' funds	**£252.5m**	£187.5m
Total portfolio exposure in excess of shareholders' funds (Gearing – see Note 17 on page 59)[2]	**17.0%**	15.2%
Net Asset Value ("NAV") per ordinary share	**189.55p**	138.77p
Stockmarket data at 31 December		
TOPIX Total Return Index (in yen terms)	**2,625.91**	2,223.11
Yen/£ exchange rate	**143.967**	139.733
Ordinary share price at the year end	**177.00p**	127.00p
year high	**178.50p**	167.00p
year low	**126.00p**	125.00p
Discount at the year end	**6.6%**	8.5%
year high	**13.8%**	17.1%
year low	**5.7%**	2.7%
Results for the year to 31 December – see page 43		
Revenue return/(loss) per ordinary share	**0.29p**	(0.07p)
Capital return/(loss) per ordinary share	**50.23p**	(25.22p)
Total return/(loss) per ordinary share	**50.52p**	(25.29p)
Ongoing charges for the year to 31 December[2, 3]	**0.98%**	1.10%
Variable management fee	**(0.15%)**	(0.04%)
Ongoing charges including variable management fee for the year to 31 December	**0.83%**	1.06%

1 The total exposure of the investment portfolio, including exposure to the investments underlying the long contracts for difference. See Note 17 on page 59.
2 Alternative Performance Measures. See page 60.
3 Ongoing Charges (excluding finance costs and taxation) as a percentage of average net asset values for the reporting year (prepared in accordance with guidance issued by the Association of Investment Companies). A definition of Ongoing Charges is in the Glossary of Terms on page 69.

Standardised Performance Total Return (%)



Sources: Fidelity and Datastream.
Past performance is not a guide to future returns.
* The Reference Index changed on 22 May 2018 from the Russell Nomura Mid/Small Cap Index (in sterling terms) to the TOPIX Total Return Index (in sterling terms).

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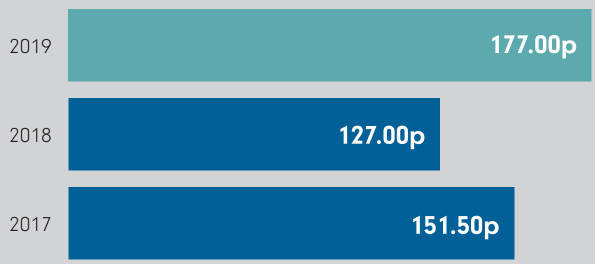
Ordinary Share Price as at 31 December



Ten Year Record
Read more on page 21

Chairman's Statement

I am pleased to present the Annual Report of Fidelity Japan Trust PLC for the year ended 31 December 2019.

David Robins, Chairman

£252.5m
(As at 31 December 2019)
Shareholders' Funds

+36.6%
(Year ended 31 December 2019)
Net Asset Value per Ordinary Share total return

+39.4%
(year ended 31 December 2019)
Share Price total return

Performance Review
I am delighted to report that the Company had an excellent year in 2019, doing more than recouping the setback suffered in 2018.

Over the 12 months to 31 December 2019, the Company's NAV per share increased by 36.6% (in sterling terms) whilst the share price rose by 39.4%, more than double the Reference Index, which returned 14.6%. Moreover, the Company topped the AIC Japan peer group, not only outperforming all the other trusts over the review period, but also over three and five years.

Holdings in mid to large cap growth stocks were the primary source of the Company's strong outperformance. In particular, positions in electronic component makers and semiconductor related stocks, such as Murata Manufacturing, that were built up through the first half of the year were among the standout contributors to returns. Holdings in domestic oriented services companies that continued to increase their earnings were also strong performers, as were high quality medical technology names such as Olympus and Sysmex. At a sector level, the Company's underweight exposure to laggard defensive sectors and financials further supported relative returns.

Since the end of the reporting year, the share price continued to perform favourably for a brief period, before being caught up in the global market turmoil sparked by the rapid spread of the Coronavirus (COVID-19) outside China. From 1 January 2020 to 31 March 2020, the NAV of the Company had declined by 22.5% and the share price by 25.1%, compared with a fall in the TOPIX Total Return Index of 11.2%.

Whilst this is a significant setback, your Portfolio Manager had avoided various sectors on fundamental grounds which have proved to be the most badly impacted during this period of market volatility. Moreover, the extreme market disruption has provided him with opportunities to invest in quality companies at very depressed prices. This augurs well for the future.

The investment trust structure is particularly robust at times of crisis compared with open ended funds, many of which have had to sell underlying investments to meet large redemptions. Your Portfolio Manager has not been under any such pressure. Moreover, it must be remembered that he takes a long term view and, as noted above, his record over both three and five years has been particularly good.

Discount Management, Share Repurchases and Treasury Shares
During the reporting year, the Board decided that more active management of the discount was warranted, given the performance of the Company. As a result, 1,929,105 ordinary shares were repurchased for holding in Treasury (representing 1.4% of the issued share capital), leading to a narrowing of the discount from a high of 13.8% to 6.6% as at 31 December 2019. Since the year end, the discount traded in the range of 4.5% to 8.7% up until 21 February 2020. Thereafter, there has been an unprecedented level of turmoil in the world's financial markets and the Company's discount has been extremely volatile in reaction to such market conditions.

Against this backdrop, the Board has decided to adopt a formal discount control policy whereby it will seek to maintain the discount in single digits in normal market conditions and will, subject to market conditions, repurchase shares with the objective of stabilising the share price discount within a single digit range.

At the forthcoming Annual General Meeting ("AGM"), the Board is seeking to renew the annual authority to repurchase up to 14.99% of the Company's shares, to be either cancelled or held in Treasury, as it has done each year previously.

Shareholder Movements

It is pleasing to note the trend of shareholder activity in recent years as demonstrated in the table below. Given the performance of the Company both in the short and medium term, we have seen increased activity by wealth managers, investment platforms and retail investors in accumulating the Company's shares since 2016. This has led to a rise in the holdings of these investors from 25% to 46% in the Company's shares, whilst institutional shareholdings have declined from 75% to 54%.

	Q4 2016	Q4 2017	Q4 2018	Q4 2019
Adviser Based	2%	3%	4%	4%
Institutional Investors	75%	68%	58%	54%
Platforms	13%	15%	18%	20%
Wealth Managers	10%	14%	20%	22%
Total	**100%**	**100%**	**100%**	**100%**

Ongoing Charges

The ongoing charge for the reporting year was 0.83% which was lower than the previous year's figure of 1.06% as the new variable management fee arrangement was in place for the full year. This compared with the unweighted AIC Japan Peer Group average of 0.94%.

Allocation of Fees

The Board has elected under the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Trust Companies, to charge 80% of base management fees and finance costs to capital and 20% to revenue, reflecting the Company's focus on capital growth to generate returns.

This took effect from 1 January 2020. The practice, for the years up to and including the 2019 financial year, had been to charge these costs in their entirety to revenue. The change is a matter for judgement and the result of the Board reviewing its policy on the allocation of fees. It should be noted that while the new allocation of costs may lead to surpluses on the Revenue Reserve which, over time, should gradually reduce the deficit on the Revenue Reserve, the future payment of dividends was not a major consideration in adopting the change.

Gearing

The Company continues to gear the portfolio through the use of long contracts for difference ("CFDs"). Total portfolio exposure at the end of the year was £295.4m, equating to gearing of 17.0% compared with 15.2% at the end of 2018. Further information can be found on pages 11 and 12 of the Strategic Report. As at 31 March 2020, gearing was 19.7%.

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

Succession Planning and Board Changes

Three of the current Directors have been in post for nine or more years and to avoid losing valuable corporate history, market knowledge and specific skillsets simultaneously, the Board has put a clearly defined succession plan in place.

Sir Laurence Magnus, having served on the Board for over nine years as a Director and as Chairman of the Audit Committee, will step down from the Board at the conclusion of the AGM on 19 May 2020. I would like to take this opportunity to thank him on behalf of the Board and all of the Company's stakeholders for all that he has accomplished and for his unfailing dedication and attention to detail. He takes with him our very best wishes for the future.

David Graham will take over as Chairman of the Audit Committee from Sir Laurence on 19 May 2020.

It is my intention to retire at the conclusion of the Company's AGM next year, by which time I will have served ten years as a Director and nine years as Chairman.

The Nomination Committee of the Board met during the year and it was determined that due to the length of his tenure, Philip Kay should stand down as Senior Independent Director and that Sarah MacAulay should replace him with effect from 10 October 2019. Mr Kay has been invited to remain on the Board for a period of time as a non-independent non-executive Director because of the valuable contribution he continues to bring to the collective skills of the Board. Philip Kay will step down from the Board at the AGM in 2022, having served 18 years by that time.

All Directors, with the exception of Sir Laurence Magnus, are subject to annual re-election at the AGM on 19 May 2020. Biographical details of the full Board are included on page 23 to assist shareholders when considering their voting at the AGM.

Environmental, Social and Governance (ESG)

Recent years have seen growing concern about global warming, and increasing efforts to counter its effects. Businesses for their part are under pressure to ensure that their activities are environmentally sustainable, as well as demonstrating social responsibility and good corporate governance. Ultimately, ESG cannot be boiled down to a tick-box exercise, however, I am pleased to say that Morningstar rates the Company as 'above average' in its sustainability scoring.

In his report, Nicholas Price outlines Fidelity's approach to this important subject and what this means for the Company's investment portfolio.

Chairman's Statement continued

Annual General Meeting – Tuesday 19 May 2020

In response to the wide spread of the Coronavirus (COVID-19), the Stay at Home Measures were passed into law in England and Wales, with immediate effect. **These measures dictate that gatherings of more than two people are not permitted.**

However, the legal requirement to hold an AGM remains in force and we are therefore obliged to convene the meeting at 10.00 am on 19 May 2020 at Flat 2, Fidelity International, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent, TN11 9DZ.

As the attendance of more than two people at an AGM (other than where this is essential for work purposes) is not permitted under the Stay at Home Measures, not to mention unsafe for the attendees, the Chairman will exercise his statutory powers to exclude other attendees. This means that any of those whose presence is not 'essential for work purposes' will be excluded, once two people (including the Chairman of the meeting) are present. The other member has already been contacted and has confirmed his attendance in person. **Therefore, anyone who ignores the Stay at Home Measures and attempts to join the meeting will not be admitted.**

With this in mind, this year's AGM will run with a substantially reduced programme. The meeting will be restricted to the formal business of the meeting as set out on pages 62 to 64 and voting on the resolutions therein. On this occasion, the Portfolio Manager will not attend the meeting. His presentation will be pre-recorded and made available on the website **www.fidelityinvestmenttrusts.com** as soon as practicable. Hard copies of the presentation will also be made available by post on request to the Secretary, contact details for which can be found on page 66 of this report.

It is not the Board's intention to exclude or discount the views of the Company's shareholders, but at the moment, the health of all investors, workforce and officers must be paramount. We urge all shareholders to make use of the proxy form provided. If you hold shares through the Fidelity Platform or a nominee (and not directly in your own name) please contact the company with which you hold your shares to determine alternative options (if available) for lodging your voting instructions.

We encourage all investors who have any questions or comments to contact the Secretary so that she can relay your comments to the Board, and we will respond in due course. The Secretary's contact details can be found on page 66 of this report.

We thank you for your cooperation and sincerely hope to resume the meeting's usual format in future.

Outlook

While global growth expectations had improved around the turn of the year, partly as a result of the 'phase one' trade agreement between the US and China, all expectations of 2020 being a better year for global trade and growth have been dashed by the rapid spread of the Coronavirus (COVID-19) around the world.

Global supply chains have been badly disrupted by the measures taken to combat the virus, first in China but subsequently worldwide. The pandemic is now also expected to impart a significant demand shock to the global economy. The combination of this supply and demand shock is likely to result in recession, despite both further monetary easing by Central Banks and fiscal expansion by a number of Governments. There is thus, no clear view as to when a recovery may ensue.

In Japan, following the negative impact of the Consumption Tax rise in the fourth quarter of the 2019 calendar year, the economy probably contracted again in the first quarter of 2020. This would effectively mean that the country has been in recession from the start of the year. Whether the Government's fiscal expansion and continued monetary easing by the Bank of Japan will be sufficient to offset the impact of the Coronavirus (COVID-19) on domestic growth remains to be seen, but with a negative global backdrop the portents are not positive. In addition, the cancellation of the Olympic Games in July has removed another prop to growth on which the Government was relying.

The Japanese equity market was not looking over-valued early in the year but collapsed in February/March, along with financial markets globally. Whilst continued buying by the Bank of Japan might provide some support, corporate earnings will be severely impacted by a domestic and global recession.

However, there are undoubtedly opportunities for your Portfolio Manager to purchase high quality companies at depressed prices, and to this end the Board approved an increase in the gearing level to 25%. In current circumstances, a conservative approach and extremely careful stock selection are warranted until the end of the pandemic can be confirmed. Nevertheless, it is worth stressing that your Portfolio Manager has a long track record of generating alpha from his stock selection, finding companies with strong balance sheets, sound management and good growth prospects, and this is the approach that he will maintain.

David Robins
Chairman
7 April 2020

Portfolio Manager's Review

Nicholas Price was appointed as Portfolio Manager of Fidelity Japan Trust PLC on 1 September 2015. He joined Fidelity Investments Japan in 1993 as a research analyst. He became a portfolio manager in 1999 and has since been managing a number of Japanese equity portfolios on behalf of both Japanese and international clients.

Question

What type of market environment have we seen this year?

Answer

The Japanese equity market made solid gains in 2019, though most of the upside came towards the end of the year, when progress in US-China trade talks buoyed hopes of a recovery in the global economy and earnings cycle. Sector returns displayed a clear tilt towards technology and other global cyclical segments that were expected to drive a recovery in earnings. Semiconductors, medical equipment and analytical instruments were among the standout performers in 2019. Conversely, the weakest performers included power utilities, transportation and financials. In terms of style, large and small cap growth stocks were the clear winners of the year, whereas large cap value names were conspicuous laggards.

Question

What have been the key contributors to performance? And detractors?

Answer

Strong stock selection in technology related and services sectors was a key driver of the Company's significant outperformance over the review period. As the inventory cycle of electronic components and devices bottomed out, holdings in globally competitive companies well positioned to capture the structural growth of automotive semiconductors and the advent of fifth generation (5G) mobile phone technology performed strongly. Murata Manufacturing (a global leader in capacitors and communication modules), Tokyo Electron (a leading player in semiconductor production equipment) and Screen Holdings (a specialist in manufacturing and cleaning systems for semiconductors and flat panel displays) were among the standout contributors to performance. The medical technology (medtech) sector was also a source of strong returns for the Company. Positions in Olympus (a leading maker of endoscopes globally) and Sysmex (a market leader in clinical testing equipment) supported performance.

Conversely, individual holdings that weighed on returns included power tool maker Makita, educational portal site operator ItoKuro and chemicals company NOF. The underweight position in the pharmaceuticals sector, which outperformed the broader market in the closing months of 2019 on merger and acquisition (M&A) related newsflow, also constrained relative performance.

Portfolio Manager's Review continued

Question

What are some of the changes that you have seen in Japan at the micro level?

Answer

Japan is making clear strides in terms of corporate governance, where it was once a laggard, and is now moving towards global norms. The introduction of growth oriented governance reforms such as the Stewardship Code (2014) and the Corporate Governance Code (2015) are instrumental in driving this change. We are seeing a gradual shift in corporate mindsets, with management now paying far more attention to profitability targets such as return on equity (ROE), as well as increasing shareholder returns to record highs.

Yet, despite the significant increase in shareholder returns in recent years, Japanese companies remain overcapitalised. More than half of the listed companies in the TOPIX Total Return Index have a net cash position compared with much lower levels in the US and Europe.

In addition to a significant increase in buybacks, we are seeing a pick-up in tender offer activity in Japan. The need for companies to reorganise their business portfolios and adhere to governance reforms has led to an increased focus on the dissolution of parent/subsidiary listings. This has prompted management to reconsider their subsidiary listings. We are seeing concrete developments on this front, with the value of tender offers in 2019 reaching the highest level in more than ten years. For example, we saw Sony divest its stake in Olympus and industrial conglomerate Toshiba announce the conversion of three listed units into wholly owned subsidiaries.

Question

There is a lot of press comment about ESG in connection with investing. What is your approach as the Portfolio Manager?

Answer

At Fidelity, ESG factors are considered and integrated into our research analysis. As the Portfolio Manager, I analyse the effects of these factors when making bottom-up investment decisions, and whether they have the potential to affect the long term value of an investment. By working closely with our team in Japan, we are able to identify laggard companies that are implementing real change and moving up the ESG scale. When the efforts of these companies are recognised by the market, there is a good chance for them to be revalued.

Recent examples of shareholder engagement in relation to ESG include:

Olympus Corporation; amid further progress in the company's corporate restructuring plan, which is partly driven by the involvement of an activist shareholder, Fidelity's engagement team met with senior management to see if the projected rate of additional restructuring activity is achievable or not. We provided the company with a "value creation diagnosis report" and encouraged it to improve the company's cash management. Olympus Corporation agreed with us that there is room to improve its cash management processes and that it remains committed to achieving the aggressive targets disclosed in its restructuring plan.

Fidelity's engagement team continued to engage with Shimadzu Corporation and exchanged views regarding its corporate governance and sustainability strategy. We explained our concerns over the company's policy on management remuneration, as well as cross-shareholdings. As for its sustainability strategy, the company accepted our opinion that it would be beneficial to demonstrate how much it can contribute to resolving social challenges by referring to concrete targets of the UN's Sustainable Development Goals.

Fidelity's engagement team also met with NOF Corporation and discussed its low ESG score and possible improvement plan. We pointed out that although it has succeeded in providing greater added value to products over the past ten years, the improvement has not reflected sufficiently on the share price because of some issues relating to the company's low ESG score. NOF Corporation admitted that the low score is mostly due to its current disclosure policy on chemical safety and carbon emissions as well as a historic reluctance by senior management to engage with investors directly. The company has committed to making serious efforts to deal with these issues. We believe our views were conveyed successfully, which should result in visible progress, through better disclosure and through further discussions with senior management.

The portfolio has a significantly lower carbon footprint versus the overall market, which is largely a reflection of the bias towards mid/small cap growth stocks in low-emission industries such as business to business (B2B) and business to consumer (B2C) online services.

Question

Talking about governance, do you think there is a governance premium in Japan?

Answer

On the contrary, I believe that there is a governance discount in Japan, which can be detected and exploited more readily by being on the ground. By working closely with our sustainable investing team in Japan, we are able to identify laggard companies that are implementing real change and moving up the governance scale.

Question

What about increased activist engagement in Japan?

Answer

The introduction of the Corporate Governance Code means that companies have to listen to shareholders, who in turn have to be more engaged in order to unlock value. Now we are seeing a mix of domestic and overseas activists behind a rising number of campaigns directed at cash or asset rich companies. We are also seeing more activity among private equity firms in Japan as resistance has waned and companies are more willing to divest assets.

Question

Were there any significant changes to your strategy in 2019?

Answer

The underlying investment approach that guides the Company remains consistent and continues to be driven by stock specific factors, with a preference for companies with attractive business models that can exceed earnings expectations over the medium term. My aim is to generate outperformance from holdings in companies with consistent growth within the mid/small cap space and to identify signs of positive change over the mid to long term.

Areas where I see potential investment opportunities in the coming year include:

- Sustainable growth companies that can increase earnings as the global economy stabilises.
- High quality services and technology related companies geared to structural growth trends, such as medtech, automation and 5G.
- Under researched companies with new and interesting business models, and unlisted opportunities.

Question

Were there any significant changes to the portfolio during the reporting year and what impact has the Coronavirus (COVID-19) had more recently?

Answer

A notable change that occurred in 2019 was the increase in the Company's allocation to the diverse electrical appliances sector. Trade frictions coincided with a downturn in the technology cycle, and we saw, for example, semiconductor stocks falling by c.50% relative to their market peak in late 2018. In this environment, market dynamics, combined with overly negative sentiment, created opportunities to buy companies at trough valuations. Notable examples include Tokyo Electron and Screen Holdings, both of which were strong contributors to the performance of the Company in 2019.

The spread of the Coronavirus (COVID-19) will have a significant effect on end consumer demand in the near term. Having said that, the impact on smartphone demand is likely to be limited due to the seasonal consumption skew towards the second half of the year and the holiday season. Automotive demand will suffer in the short term, but pent-up replacement demand and Government initiatives should support a recovery. Corporate spending is likely to be more stable, especially relating to networking and data processing. Over the longer term, an acceleration towards online purchases, entertainment and changing working styles will drive higher demand for the semiconductor industry.

Question

What opportunities have you been seeing in the pre-IPO space?

Answer

We typically see around 100 initial public offerings (IPOs) per year in Japan, predominantly on the TSE Mothers' Index and other start-up markets. Being on the ground means that we see a lot of the new ideas and business models that are coming to market first-hand. What we have also seen in recent years is that the number of sell-side analysts covering IPOs has consistently declined, which creates opportunities for bottom-up managers like me, who are willing to do the leg work and identify the most attractive investment cases.

We continue to look for early stage ideas, particularly among fast growing services and internet based companies, as well as innovative medtech names. At the end of the review period, the Company held two unlisted securities. Firstly, Coconala which offers an online consumer to consumer (C2C) platform where users can buy and sell knowledge, skills and experience from those who are willing to teach these activities for a fee. Secondly, Innophys, a Tokyo University based venture harnessing the power of robotics to develop innovative solutions to elderly care and physical rehabilitation.

Portfolio Manager's Review continued

Question

What are your current thoughts on gearing? And how has your use of gearing changed over the period under review?

Answer

The level of gearing employed remained fairly consistent over the review period and averaged close to 16%. I reduced the exposure to machinery stocks as the risk/reward balance deteriorated and took profits in strong performers among services companies. On the other hand, the period of market weakness that culminated in a near term bottom in August created opportunities to increase holdings in high conviction technology related names.

More recently, the Board has approved an increase in the level of gearing to a limit of 25%, which will enable me to capitalise on excessive price action to add or increase positions in attractive growth stocks that I believe will contribute to future returns for the Company.

Question

What is your Outlook for the coming months and what changes have you made to the Portfolio as a result of recent market turmoil?

Answer

I have been reducing at least some of the high performing stocks, so-called consistent growers, where the relative valuations remain elevated and there will likely be at least two quarters of tough earnings. When aggregate demand goes close to zero, even the market share gainers cannot gain a share of zero.

I am watching balance sheet leverage and covenants for the few leveraged companies in my portfolios. If they can make it through, some high leverage names could double in value.

At the same time, I am actively looking for domestic and/or China related companies that are getting closer to Lehman style valuations. It currently seems that Japan and China will get out of this crisis earlier than the rest of the world. Some of the candidates include retailers, rail operators and leisure companies that have been really punished. I feel much more confident that the downturn is discounted when I see Price-to-Book-Ratios that are getting close to Lehman levels (small caps, in particular, got there very fast).

Overall, I am maintaining the technology bias in the portfolio, focusing on names with strong balance sheets, reasonable valuations and a secular rather than cyclical bias. I think that there is a good chance that they will lead us out of this, as their demand is likely delayed rather than foregone.

Lessons learned from Lehman and the 2008 Credit Crisis
Turning ultra-defensive when the market has already fallen by c.30% and many stocks have halved, is probably not going to be rewarded on a 12-month basis.

Bear markets often create new turning points and market leadership. The likely coming fiscal stimulus may throw up new leadership and new winners from discarded losers, so I am recommending that Fidelity's analysts revisit underperforming stocks as well as the old long term winners in their coverage. What if the US and/or China implement another auto scrappage subsidy? After the 2011 Japan earthquake, tolls were cut to zero on the motorways to encourage domestic tourism. Things will change quickly when there is some stimulus at the micro level, and when this happens the market will look through the current negativity in those areas.

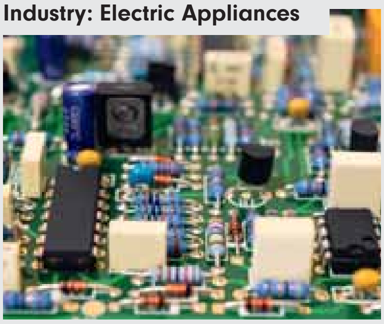
Finally, it is out of the ruins of this last bull market from which the seeds of the new one will grow. It is our job to find the new winners when everyone else is standing shell shocked. While the market is busy focusing on the daily infection charts, if we keep on going out and visiting/calling a lot of companies and casting the net wider, we will find the new winners.

Nicholas Price
Portfolio Manager
7 April 2020

Top 10 Holdings

as at 31 December 2019
(based on Portfolio Exposure expressed as a percentage of Shareholders' Funds)

Industry: Electric Appliances

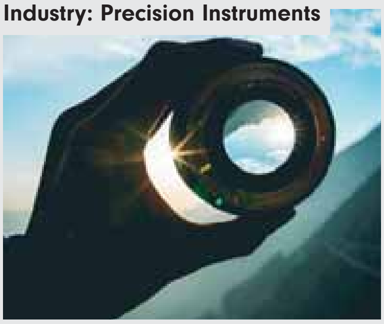


Murata Manufacturing

Portfolio Exposure	8.1%

Murata is a leading designer, manufacturer and supplier of advanced electronic materials, components and multi-functional, high density modules. The company's products can be found in mobile phones, home appliances, energy management systems and healthcare devices. Murata was founded in 1954 by Akira Murata and is headquartered in Kyoto.

Industry: Precision Instruments



Olympus

Portfolio Exposure	7.1%

Olympus is a well-known manufacturer of optical and digital precision technology. The company develops and sells medical technology, digital cameras, and solutions for science and industry. The company was founded in 1919 and now has more than 35,000 employees across the Americas, EMEA, Asia Pacific and Japan. More than 60% of Olympus' R&D expenditure is focused on its medical business. The company holds around 20,000 patents worldwide.

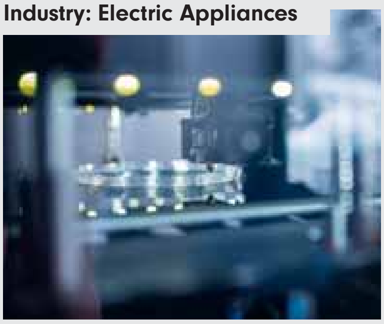
Industry: Information & Communication

JustSystems

Portfolio Exposure	5.5%

Founded in Tokushima City in 1979, JustSystems is a software development company. JustSystems is perhaps best known for its Ichitaro Japanese word processing software and ATOK Japanese input systems. More recently the company has pioneered a plethora of new technologies, including the SMILE ZEMI tablet-based e-learning system for junior school pupils.

Industry: Electric Appliances



Keyence

Portfolio Exposure	4.7%

Keyence engineers, manufactures and distributes automation sensors, measuring systems, laser markers, microscopes and machine vision systems. The company is a key name in factory automation. Keyence has repeatedly featured in the Forbes Top 100 most innovative companies list. Its global network comprises over 210 offices in more than 46 countries. The company also stands out for its consultative approach to sales, as well as the fast delivery of its products.

Industry: Other Products

Yamaha

Portfolio Exposure	4.5%

Yamaha is the world's number one manufacturer of pianos and was founded in 1897.
The corporate slogan is 'sharing passion and performance.' Yamaha's current medium term management plan indicates that the company's basic strategy is to consolidate competitive superiority by adding value and differentiation.

Top 10 Holdings continued

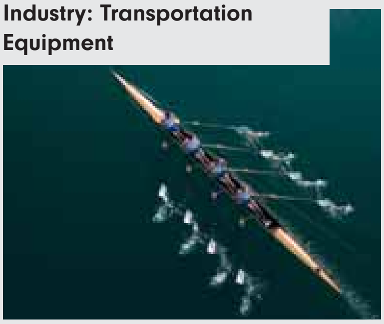
Industry: Wholesale Trade

MISUMI Group

Portfolio Exposure 4.1%

MISUMI Group provides fixed and configurable components to the manufacturing industry. The company operates in three segments: mechanical components; flat belt conveyors; and locator devices and measurement equipment. MISUMI Group also manufactures metal press components such as gas springs and ejector pins.

Industry: Transportation Equipment



Shimano

Portfolio Exposure 3.8%

Shimano is a world leader in the manufacture of cycling components, rowing equipment and fishing tackle. In March 2021, the company will celebrate 100 years since its founding. The management team states that it has "inherited an enthusiastic commitment to creating truly reliable products with an uncompromising attitude towards manufacturing quality."

Industry: Machinery

Daikin Industries

Portfolio Exposure 3.6%

Daikin Industries is a manufacturer of air-conditioning equipment. The company has over 100 worldwide production bases and its products are sold in more than 150 countries. It is the world's only general air-conditioning equipment manufacturer with in-house divisions covering both air-conditioning and refrigerants. At present, the company is committed to reducing the environmental impact of air conditioning as well as improving new technologies.

Industry: Transportation Equipment

Suzuki Motor

Portfolio Exposure 3.6%

Founded by Michio Suzuki in 1909, Suzuki Motor is a multinational manufacturer of automobiles, four-wheel drive vehicles, motorcycles and all-terrain vehicles, wheelchairs and combustion engines. The company has more than 45,000 employees and with the slogan "small cars for a big future" pledges to work towards manufacturing products which are as environmentally friendly as possible.

Industry: Retail Trade

Ryohin Keikaku

Portfolio Exposure 3.3%

Muji was launched as a proprietary brand in 1980 and today has more than 900 stores in 29 countries. Ryohin Keikaku was established in 1989 as the manufacturer and distributor of MUJI goods. Quality materials, simplicity of design and minimal packaging are prized hallmarks of the collection. The company recently released a smartphone MUJI app to further engage with its customers.

Strategic Report

The Directors have pleasure in presenting the Strategic Report of the Company. The Chairman's Statement and Portfolio Manager's Review on pages 2 to 8 also form part of the Strategic Report.

Business and Status

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

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

Objective

The Company aims to achieve long term capital growth by investing predominantly in equities and related securities of Japanese companies.

Strategy

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

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

Investment Management Philosophy, Style and Process

The Portfolio Manager follows a consistent "growth at a reasonable price" investment style and approach, which involves identifying companies in all areas of the market whose growth prospects are not fully recognised by other investors. He utilises Fidelity's research capability in Japan, as well as the broader global research network. His approach is anchored in the belief that a rigorous, bottom-up approach to active management can identify companies where the market is underestimating or mis-pricing future growth potential.

Investment Policy

The Company primarily invests in companies which are listed on Japanese stock exchanges. The portfolio is selected by the Investment Manager on the basis of its assessment of the fundamental value available in individual situations and with a typical focus on those companies whose growth prospects are not fully recognised by the market ("growth at a reasonable price"). Whilst the Company's overall exposure to individual companies and industry sectors is monitored, the portfolio is not restricted in terms of size or industry, although certain investment restrictions apply in order to attempt to diversify risk.

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

Investment Restrictions

In order to diversify the Company's portfolio, the Board has set the following investment guidelines for the Portfolio Manager. These guidelines and their impact are monitored on a daily basis and reported regularly to the Board:

- A maximum of 7.5% in the aggregate of all securities of any one company or other investment entity (10% for any group of companies) at the time of purchase, which is further limited to 12% of the Company's equity portfolio based on the latest market value.
- A maximum of 10% of its assets (at the time of acquisition) in securities which are not listed on any stock exchange or traded on the Jasdaq market. The Company would not normally make any such investment except where the Manager expects that the securities would shortly become registered for trading on the OTC market or become listed on a Japanese stockmarket.
- A maximum of 30% of its assets (at the time of acquisition) in equity related and debt instruments. The Company may also invest in derivatives for efficient portfolio management to protect the portfolio against market risk. Any such investment would normally be at a low level as the Company invests primarily in shares.
- A maximum of 15% of the Company's total assets may be invested in the securities of other investment trust companies.
- The maximum that the Company can hold in cash, or invest in cash equivalents, including money market instruments, is limited to 25% of the total value of the Company's gross assets. This limit will not include any amounts required as collateral to cover unrealised losses on derivatives. In practice the cash position will normally be much lower.

Gearing

The Company's policy is to be geared in the expectation that long term investment returns will exceed the cost of gearing. This gearing is obtained through the use of contracts for difference ("CFDs") to obtain exposure to Japanese equities selected by the Manager. The effect of gearing is to magnify the consequence of market movements on the portfolio. If the portfolio value rises, the NAV will be positively impacted. Conversely if it falls, the NAV will be adversely impacted.

The aggregate exposure of the Company to Japanese equities, whether held directly or through CFDs, will not exceed shareholders' funds by more than 30% at the time any CFD is

Strategic Report continued

entered into or a security acquired. The Board also intends that the exposure will not exceed shareholders' funds by more than 40% at any other time unless exceptional circumstances exist.

The level of gearing is reviewed regularly by the Board and the Portfolio Manager. Currently the Portfolio Manager has discretion to be up to 25% geared. At the year end the Company was 17.0% geared (2018: 15.2%). As at 31 March 2020, gearing was 19.7%.

Performance
The Company's performance for the year ended 31 December 2019, including a summary of the year's activities, and details on trends and factors that may impact the future performance of the Company are included in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 8. The Portfolio Listing, Distribution of the Portfolio, Ten Year Record and Summary of Performance Charts are on pages 17 to 22.

Results
The Company's results for the year ended 31 December 2019 are set out in the Income Statement on page 43. The revenue return was 0.29 pence and the capital return was 50.23 pence, giving a total return of 50.52 pence per ordinary share. As the revenue reserve is in deficit, the Directors do not recommend the payment of a dividend.

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

	Year ended 31 December 2019 %	Year ended 31 December 2018 %
NAV per ordinary share total return[1]	**+36.6**	-15.4
Share price total return[1]	**+39.4**	-16.2
Reference Index (in sterling terms)[2] total return	**+14.6**	-8.3
Discount to NAV	**6.6**	8.5
Ongoing charges[1]	**0.98**	1.10

1 Alternative Performance Measures. See page 60.
2 The Reference Index changed on 22 May 2018 from the Russell Nomura Mid/Small Cap Index (in sterling terms) to the TOPIX Total Return Index (in sterling terms). Therefore, the Reference Index reported for 2018 above is a blend of the two for the relevant reporting periods.

Sources: Fidelity and Datastream.

The Board monitors the above KPIs at each of its meetings, in particular the performance of the Company's NAV and share price total returns against the Reference Index. It operates an active discount management policy which is detailed in the Chairman's Statement on pages 2 and 3.

In addition to these KPIs, the Board regularly reviews the Company's performance against its peer group of investment companies. Long term performance is shown in the Ten Year Record and the Summary of Performance Charts on pages 21 and 22.

The Board regularly considers the costs of running the Company in order to ensure that they remain reasonable and competitive.

Principal Risks and Uncertainties and Risk Management
As required by provisions 28 and 29 of the 2018 UK Corporate Governance Code, the Board has a robust ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the Company, including those that would threaten its business model, future performance, solvency or liquidity. The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited/the "Manager"), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key existing and emerging risks that the Company faces. The risks identified are placed on the Company's risk matrix and graded appropriately. This process, together with the policies and procedures for the mitigation of existing and emerging risks, is updated and reviewed regularly in the form of comprehensive reports considered by the Audit Committee. The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

The Manager also has responsibility for risk management for the Company. It works with the Board to identify and manage the principal risks and uncertainties and to ensure that the Board can continue to meet its UK corporate governance obligations.

The Board considers the following as the principal risks and uncertainties faced by the Company. There have been no changes to these since the prior year except for the addition of "Key Person risk", "Pandemic risk" and the categorisation of "Cybercrime risk" as a principal risk.

Principal Risks	Description and Risk Mitigation
Market risk	The Company's assets consist mainly of listed securities and the principal risks are, therefore, market related such as market downturn, interest rate movements and exchange rate movements. The Portfolio Manager's success or failure to protect and increase the Company's assets against this background is core to the Company's continued success. The risk of the likely effects of the Coronavirus (COVID-19) on the markets is discussed in the Chairman's Statement on pages 2 and 4 and in the Portfolio Manager's Review on page 7. These risks are somewhat mitigated by the investment trust structure which means no forced sales will need to take place to deal with any redemptions. Therefore, investments can be held over a longer time horizon. Risks to which the Company is exposed in the market risk category are included in Note 16 to the Financial Statements on pages 54 to 58 together with summaries of the policies for managing these risks.
Performance risk	The achievement of the Company's performance objective relative to the market requires the application of risks such as strategy, asset allocation and stock selection of the portfolio and the risk associated with Japan and industry sectors within the parameters of the objective and strategy. The Portfolio Manager is responsible for actively monitoring the portfolio selected in accordance with the asset allocation parameters and seeks to ensure that individual stocks meet an acceptable risk/reward profile. The emphasis is on long term results as the Company is more exposed to volatility in the shorter term.
Economic, Geopolitical and Natural Disaster risks	Political change can also impact the Company's assets, such as a US led trade war, North Korean tensions and strife in the Middle East. The Board is provided with a detailed investment review which covers material economic, market and legislative changes at each Board meeting. The review also covers risks relating to global trade tensions, interest rate volatility and political unrest. Japan is extremely vulnerable to earthquakes and tsunamis. Depending on the magnitude of such events, positions in the portfolio may be affected. The Manager could also be impacted from an operational perspective if the epicentre is in or near Tokyo.
Key person risk	There is a risk that the Manager has an inadequate succession plan for key individuals, particularly with stock selection expertise in Japanese markets. The loss of the Portfolio Manager or key individuals could lead to potential performance, operational or regulatory issues. The Manager identifies key dependencies which are then addressed through succession plans. Fidelity has succession plans in place for portfolio managers and these are discussed regularly with the Board.
Discount control risk	The Board cannot control the discount at which the Company's ordinary share price trades in relation to net asset value. However, it can have a modest influence in the market by maintaining the profile of the Company through a marketing campaign and, under certain circumstances, through repurchasing shares. In the reporting year, the Board adopted a formal discount control policy whereby it will seek to maintain the discount in single digits in normal market conditions. The Company's share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board regularly.
Gearing risk	The Company has the option to make use of loan facilities or to use CFDs to invest in equities. The principal risk is that the Portfolio Manager may fail to use gearing effectively. In a rising market the Company will benefit from gearing, whilst in a falling market the impact would be detrimental. Other risks are that the cost of gearing may be too high or that the term of the gearing is inappropriate in relation to market conditions. The Company currently has no bank loans and gears through the use of long CFDs which provide greater flexibility and are significantly cheaper than bank loans. The Board regularly considers the level of gearing and gearing risk and sets limits within which the Portfolio Manager must operate.

Strategic Report continued

Principal Risks	Description and Risk Mitigation
Currency risk	Most of the Company's assets and income are denominated in yen. However, the functional currency of the Company in which it reports its results is sterling. Consequently, it is subject to currency risk on exchange rate movements between yen and sterling. It is the Company's policy not to hedge against currency risks. Further details can be found in Note 16 to the Financial Statements on pages 54 to 58.
Cybercrime risk	The risk from cybercrime is significant as it continues to be subject to emerging threats. Cybercrime threats evolve rapidly and consequently the risk is regularly re-assessed and the Board receives regular updates from the Manager in respect of the type and possible scale of cyberattacks. The Manager's technology team has developed a number of initiatives and controls in order to provide enhanced mitigating protection to this ever increasing threat.
Pandemic Risk	As the Coronavirus (COVID-19) outbreak continues to spread, there has been increased focus from financial services regulators around the world on the contingency plans of regulated financial firms. The Manager reviews its business continuity plans and operational resilience strategies on an ongoing basis 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 confirmed the implementation of similar measures to ensure no business disruption.

Other risks facing the Company include:

Tax and Regulatory Risks
There is a risk to the Company of not complying with tax and regulatory requirements. A breach of Section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status resulting in the Company being subject to tax on capital gains.

The Board monitors tax and regulatory changes at each Board meeting and through active engagement with regulators and trade bodies by the Manager.

Operational Risks
The Company relies on a number of third party service providers, principally the Manager, Registrar, Custodian and Depositary. It is dependent on the effective operation of the Manager's control systems and those of its service providers with regard to the security of the Company's assets, dealing procedures, accounting records and the compliance of regulatory and legal requirements. The Registrar, Custodian and Depositary are all subject to a risk-based programme of internal audits by the Manager. In addition, service providers' own internal controls reports are received by the Board on an annual basis and any concerns are investigated. Risks associated with these services are generally rated as low, but the financial consequences could be serious, including reputational damage to the Company.

Continuation Vote
A continuation vote takes place every three years. There is a risk that shareholders do not vote in favour of continuation of the Company during periods when performance of the Company's NAV and share price is poor. At the Company's AGM held on 21 May 2019, 99.88% of shareholders voted in favour of the continuation of the Company. The next continuation vote will take place at the AGM in 2022.

Viability Statement
In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the twelve month period required by the "Going Concern" basis. The Company is an investment trust with the objective of achieving long term capital growth. The Board considers that three years is an appropriate investment horizon to assess the viability of the Company, although the life of the Company is not intended to be limited to this or any other period.

In making an assessment of the viability of the Company, the Board has taken account of the Company's current position, the principal risks that it faces and their potential impact on its future development and prospects, and the Company's objective and strategy. The Company's working capital is strong because the portfolio mainly comprises readily realisable securities which can be sold to meet funding requirements if necessary and the operating costs and income are modest in comparison to the Company's total assets. Furthermore, Japanese equities have a long term future and the Manager has a strong track record for delivering positive returns over the long term in this sector. The Directors, therefore, confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of assessment. This confirmation also takes into account the Board's assessment of the risks arising from the Coronavirus (COVID-19) as set out in the Pandemic Risk above.

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

Promoting the Success of the Company

Under Section 172(1) of the Companies Act, the Directors have a duty to promote the success of the Company for the benefit of its shareholders. This includes having regard (amongst other matters) fostering relationships with the Company's stakeholders and maintaining a reputation for high standards of business conduct.

The Board, with the Portfolio Manager, sets an overall investment strategy and reviews this on an ongoing basis. In order to ensure good governance of the Company, the Board has set various limits on the investments in the portfolio, including in relation to the maximum size of individual holdings, the use of derivatives, and the level of gearing. These limits and guidelines are regularly monitored.

It is one of the Board's long term intentions that the share price should trade at a level close to the underlying net asset value of the shares. In order to achieve this, the Board has implemented an active discount policy in order to reduce discount volatility and will execute share repurchases (in normal market conditions) in order to keep the discount in single figures.

The Board is mindful that investors expect their assets to be managed for a competitive fee. The Board negotiated a variable management fee with Fidelity in 2018. The Board believes that this fee arrangement fairly rewards the Manager for any outperformance against the Reference Index while remaining competitive against fees charged by the Company's peer group. Fees for the reporting year were £1,226,000 (2018: £1,843,000). Further information about the variable fee arrangement can be found on page 24 of the Directors' Report.

It is important that shareholders have access to both the Portfolio Manager and the Board. The Portfolio Manager meets with major shareholders, stock market analysts, journalists and other commentators during the year. In the run up to the Continuation Vote in May 2019 the Chairman, through the Broker, met with several shareholders without representatives of Fidelity present. These meetings were instrumental in shaping the Board's views around the active discount policy mentioned above.

As long term investors, we look to the future – the Portfolio Manager in constructing the portfolio and the Board in governing the Company. The performance of the Company and its reputation for transparency and good governance are paramount to its long term success for the benefit of all its stakeholders.

Board Diversity

The Board carries out any candidate search against a set of objective criteria on the basis of merit, with due regard for the benefits of diversity on the Board, including gender. At 31 December 2019, there were five male Directors and one female Director on the Board. This will change to four male Directors and one female Director when Sir Laurence Magnus steps down from the Board at the conclusion of the AGM on 19 May 2020.

Board Apprentice Scheme

During the year, the Board participated in the Board Apprentice Scheme (the "Scheme") with a view to offering a potential non-executive director of the future the opportunity to observe the workings of a board. The objective of the Scheme is to increase diversity on boards. Ashley Norton was selected and started in October 2019. She will observe the meetings of the Board and its Committees for a period of one year. Ashley will not receive a fee but the Board hopes that the experience will assist her ambition in becoming a non-executive director elsewhere in the future.

Environmental, Social and Governance ("ESG") in the investment process

The Board has contracted with Fidelity to provide the Company with investment management and administrative services. The Fidelity group of companies (including the Manager, FIL Investment Services (UK) Limited and FIL Investments International) sets out its commitment to responsible investing, and provides a copy of its detailed Responsible Investing at **https://www.fidelity.co.uk/responsible-investing/**

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

Proprietary ESG analysis and ratings are provided by the analysts in Fidelity's investment teams and the portfolio managers are also active in analysing the potential effects of ESG factors when making investment decisions.

Fidelity's investment approach involves bottom-up research. As well as studying financial results, the portfolio managers and analysts carry out additional qualitative analysis of potential investments. They examine the business, customers and suppliers and visit the companies in person to develop a view of every company in which it invests and ESG factors are embedded in this research process.

Examples of ESG factors that Fidelity's investment teams may consider as part of their company and industry analysis include:

- Corporate governance (e.g. Board structure, executive remuneration)
- Shareholder rights (e.g. election of directors, capital amendments)
- Changes to regulation (e.g. greenhouse gas emissions restrictions, governance codes)
- Physical threats (e.g. extreme weather, climate change, water shortages)
- Brand and reputational issues (e.g. poor health & safety record, cyber security breaches)
- Supply chain management (e.g. increase in fatalities, lost time injury rates, labour relations)
- Work practices (e.g. observation of health, safety and human rights provisions and compliance with the provisions of the Modern Slavery Act).

Strategic Report continued

Fidelity operates analyst training and development programmes which include modules on ESG. This includes training throughout the year for equity and fixed income portfolio managers and analysts on various ESG themes, topics and strategies.

Fidelity's ESG team will attend external seminars as well as conferences to explore new ways of integrating ESG into the investment process across all asset classes.

Fidelity uses a number of external research sources around the world that provide ESG themed reports and it subscribes to an external ESG research provider and rating agency to supplement its organic analysis. Fidelity receives reports that include company specific and industry specific research as well as ad hoc thematic research looking at particular topics. The ESG ratings are industry specific and are calculated relative to industry peers. These ratings are used in conjunction with Fidelity's wider analysis. Fidelity's sources of ESG research are reviewed on a regular basis.

Socially Responsible Investment
The Manager's primary objective is to produce superior financial returns for the Company's shareholders. It believes that high standards of corporate social responsibility ("CSR") make good business sense and have the potential to protect and enhance investment returns.

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. It delegates the responsibility for corporate engagement and shareholder voting to the Investment Manager who updates the Board on any issues and activities. These activities are reviewed regularly by the Manager's corporate governance team.

Other Employees, Social, Community and Human Rights Issues
The Company has no employees, while all of its Directors are non-executive and its day-to-day activities are carried out by third parties. There are therefore no disclosures to be made in respect of employees and the Company has not adopted a policy on human rights as it would not be directly applicable.

As an investment company, the Company does not provide goods and services in the normal course of business and has no customers. Accordingly, the Board considers that the Company is not within the scope of the Modern Slavery Act 2015.

Greenhouse Gas Emissions
As an investment trust, the Company's own direct environmental impact is minimal. The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. FIL Investment Services (UK) Limited and FIL Investments International are registered with the Carbon Reduction Commitment Energy Efficiency Scheme administered by the Environment Agency.

Criminal Finances Act 2017
The Company is subject to the Criminal Finances Act 2017 and follows a zero tolerance policy to tax evasion and its facilitation. The Directors are fully committed to complying with all legislation and appropriate guidelines designed to prevent tax evasion and the facilitation of tax evasion in the jurisdictions in which the Company, its service providers, counterparties and business partners operate.

Bribery Act 2010
The Company is committed to carrying out business fairly, honestly and openly. The Board recognises the benefits this has for reputation and business confidence. The Board, the Manager, the Manager's employees and others acting on the Company's behalf, are expected to demonstrate high standards of behaviour when conducting business.

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

Future Developments
Some trends likely to affect the Company in the future are also common to many investment companies together with the impact of regulatory change and emerging risks. The factors likely to affect the Company's future development, performance and position are incorporated in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 8.

By order of the Board
FIL Investments International
Secretary
7 April 2020

Portfolio Listing
as at 31 December 2019

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		Balance Sheet Value
	£'000	%[1]	£'000
Exposures – shares unless otherwise stated			
Murata Manufacturing (shares and long CFD)	20,405	8.1	12,687
Olympus (shares and long CFD)	17,872	7.1	8,873
JustSystems	13,973	5.5	13,973
Keyence (shares and long CFD)	11,903	4.7	7,782
Yamaha	11,263	4.5	11,263
MISUMI Group	10,285	4.1	10,285
Shimano	9,718	3.8	9,718
Daikin Industries	9,212	3.6	9,212
Suzuki Motor (shares and long CFD)	9,041	3.6	1,680
Ryohin Keikaku (shares and long CFD)	8,213	3.3	3,828
Ten largest exposures (2018: 45.7%)	**121,885**	**48.3**	**89,301**
Other exposures			
Tokyo Electron (shares and long CFD)	8,179	3.2	7,116
TDK	6,766	2.7	6,766
Kotobuki Spirits	6,705	2.7	6,705
Screen Holdings	6,692	2.7	6,692
Yaskawa Electric	6,446	2.5	6,446
Eisai (shares and long CFD)	6,465	2.5	2,358
Renesas Electronics	6,108	2.4	6,108
Shimadzu	5,752	2.3	5,752
UT Group	5,415	2.1	5,415
ARUHI	5,238	2.1	5,238
ROHM	5,231	2.1	5,231
Raksul	5,192	2.1	5,192
Taiyo Yuden	4,919	1.9	4,919
NOF	4,897	1.9	4,897
Kamakura Shinsho	4,697	1.9	4,697
Nojima	4,451	1.8	4,451
Yahoo! Japan (shares and long CFD)	4,055	1.6	1,667
Nihon M&A Center (long CFD)	4,000	1.6	329
Eizo	3,752	1.5	3,752
Hitachi Metals	3,702	1.5	3,702

Portfolio Listing continued

	Portfolio Exposure £'000	Portfolio Exposure %[1]	Balance Sheet Value £'000
SMS	3,615	1.4	3,615
Nihon Flush	3,121	1.2	3,121
Coconala (unlisted)	2,774	1.1	2,774
Yume No Machi Souzou Iinkai	2,699	1.1	2,699
Advantest	2,555	1.0	2,555
Optex Group	2,432	1.0	2,432
Hoya	2,325	0.9	2,325
Central Automotive Products	2,082	0.8	2,082
SHIFT	2,009	0.8	2,009
Asics	1,956	0.8	1,956
Nitta	1,884	0.7	1,884
CKD	1,883	0.7	1,883
Relo Group	1,817	0.7	1,817
Taikisha	1,722	0.7	1,722
Horiba	1,696	0.7	1,696
Mitsui O.S.K. Lines	1,678	0.6	1,678
ItoKuro	1,646	0.6	1,646
MonotaRO	1,579	0.6	1,579
Digital Garage	1,555	0.6	1,555
Workman	1,519	0.6	1,519
Nidec	1,456	0.6	1,456
Sagami Rubber Industries	1,420	0.6	1,420
Fujimi	1,262	0.5	1,262
Hirano Tecseed	1,148	0.4	1,148
Uchida Yoko	1,021	0.4	1,021
Piolax	1,018	0.4	1,018
Japan Material	1,012	0.4	1,012
Shinnihonseiyaku	951	0.4	951
m-up	903	0.4	903
Innophys (unlisted)	902	0.4	902
Okamoto Industries	901	0.4	901
Techno Smart	844	0.3	844
Information Services International-Dentsu	801	0.3	801
Twenty-Four Seven	788	0.3	788
Nissan Chemical	770	0.3	770
Tayca	742	0.3	742
Sumitomo Bakelite	678	0.3	678

STRATEGY
GOVERNANCE
FINANCIAL
INFORMATION FOR SHAREHOLDERS

	Portfolio Exposure £'000	%[1]	Balance Sheet Value £'000
Nitto Boseki	661	0.3	661
Tsumura	655	0.3	655
Seika	559	0.2	559
Recruit Holdings (long CFD)	523	0.2	48
AEON delight	465	0.2	465
T. Hasegawa	372	0.1	372
Lifull	349	0.1	349
Tokyo Radiator Manufacturing	285	0.1	285
DaikyoNishikawa	278	0.1	278
Sumitomo Densetsu	234	0.1	234
Cosmos Initia	216	0.1	216
Punch Industry	202	0.1	202
Kosaido	149	0.1	149
Nippon Concept	140	0.1	140
Fujitsu	128	0.1	128
Vision	128	0.1	128
Hokkaido Chuo Bus	116	–	116
Toyko Base	110	–	110
Sansan	27	–	27
Shinko Electric Industries	25	–	25
Bookoff Group	16	–	16
WILLs	11	–	11
Total Portfolio Exposure[2]	**295,360**	**117.0**	
Total Portfolio Fair Value[3]			**251,072**
Net current assets (excluding derivative assets and liabilities)			1,419
Shareholders' Funds			**252,491**

1 Portfolio Exposure is expressed as a percentage of Shareholders' Funds.
2 Total Portfolio Exposure comprises market exposure to investments of £249,099,000 (per Note 9: Investments on page 51) plus market exposure to derivative instruments of £46,261,000 (per Note 10: Derivative Instruments on page 52).
3 Total Portfolio Fair Value comprises Investments of £249,099,000 plus derivative assets of £3,048,000 less derivative liabilities of £1,075,000 (per the Balance Sheet on page 45).

Distribution of the Portfolio

as at 31 December 2019

Sector	2019[1] Total %	2019[2] Index %	2018[1] Total %
Electric Appliances	35.2	14.4	16.2
Information & Communication	12.5	8.7	10.7
Precision Instruments	10.3	2.4	3.4
Services	9.5	5.2	19.6
Transportation Equipment	7.5	7.7	6.1
Other Products	6.6	2.3	6.7
Retail Trade	6.3	4.6	9.3
Wholesale Trade	5.5	5.0	4.9
Machinery	5.1	5.1	13.9
Chemicals	3.4	7.1	11.9
Pharmaceutical	2.8	6.0	2.2
Foods	2.7	3.8	1.8
Other Financing Business	2.1	1.2	2.2
Rubber Products	1.7	0.7	2.7
Unlisted	1.5	–	–
Iron & Steel	1.5	0.8	–
Construction	0.8	2.8	0.6
Glass & Ceramics Products	0.8	0.9	0.5
Marine Transportation	0.6	0.2	–
Metal Products	0.4	0.6	0.6
Real Estate	0.1	2.4	1.6
Warehousing & Harbour Transportation Services	0.1	0.2	0.2
Land Transportation	–	4.4	0.1
Pulp & Paper	–	0.2	–
Mining	–	0.3	–
Oil & Coal Products	–	0.5	–
Air Transportation	–	0.5	–
Textiles & Apparels	–	0.6	–
Nonferrous Metals	–	0.8	–
Securities & Commodity Futures	–	0.8	–
Electric Power & Gas	–	1.5	–
Insurance	–	2.3	–
Fishing, Agriculture, & Forestry	–	0.1	–
Banks	–	5.9	–
Total	**117.0**	**100.0**	**115.2**

1 The Distribution of the Portfolio shows Portfolio Exposure expressed as a percentage of Shareholders' Funds.
2 TOPIX Total Return Index (in sterling terms), the Company's Reference Index.

Ten Year Record

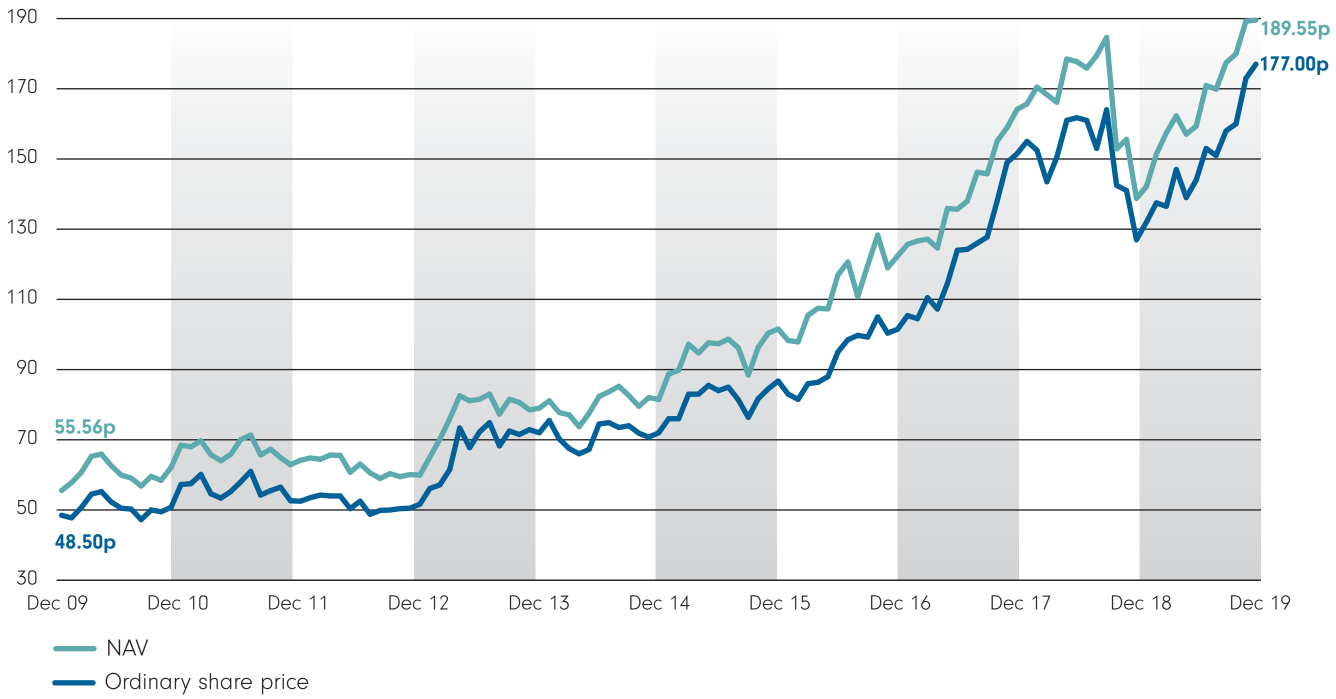
For the year ended 31 December	**2019**	2018	2017	2016	2015	2014	2013	2012	2011	2010
Assets										
Total portfolio exposure (£m)[1]	**295**	216	264	207	135	114	105	70	77	79
Shareholders' funds (£m)	**252**	188	223	166[2]	116	93	90[3]	58	63	65
NAV per ordinary share (p) – undiluted	**189.55**	138.77	164.10	122.37	101.56	81.48	79.02	59.94	64.17	68.44
NAV per ordinary share (p) – diluted	**n/a**	n/a	n/a	n/a	99.08	n/a	n/a	59.91	62.79	66.21
Share price data										
Ordinary share price (p)	**177.00**	127.00	151.50	101.50	86.75	72.00	72.00	51.63	52.50	57.25
Subscription share price (p)	**n/a**	n/a	n/a	n/a	3.13	4.25	n/a	0.80	5.70	11.75
Discount to NAV % – undiluted[4]	**6.6**	8.5	7.7	17.1	14.6	11.6	8.9	13.9	18.2	16.4
Discount to NAV % – diluted	**n/a**	n/a	n/a	n/a	12.4	n/a	n/a	12.8	16.4	13.5
Revenue and Costs										
Revenue return/(loss) per ordinary share (p)	**0.29**	(0.07)	(0.22)	0.07	(0.14)	(0.45)	(0.30)	(0.06)	0.02	(0.30)
Ongoing charges (%) (cost of running the Company)[4]	**0.98**	1.10	1.31	1.46	1.52	1.62	1.80	2.00	1.98	2.08
Gearing										
Gearing (%)[4]	**17.0**	15.2	18.7	24.3	16.6	22.2	16.8	21.0	23.2	20.9
Performance Total Returns										
NAV per ordinary share – undiluted (%)[4]	**+36.6**	-15.4	+34.1	+20.5	+24.6	+3.1	+31.8	-6.6	-6.2	+23.2
NAV per ordinary share – diluted (%)	**n/a**	n/a	n/a	n/a	+21.6	n/a	n/a	-5.7	-5.2	+19.4
Ordinary share price (%)[4]	**+39.4**	-16.2	+49.3	+17.0	+20.5	0.0	+39.5	-1.7	-8.3	+18.0
Reference Index (in sterling terms) (%)[5]	**+14.6**	-8.3	+17.5	+22.0	+19.4	+5.1	+21.7	-3.1	-9.3	+18.6

1 The total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs.
2 The issue of ordinary shares on the exercise of subscription share rights, contributed £19.5 million to the increase in shareholders' funds.
3 The issue of ordinary shares on the exercise of subscription share rights, contributed £9.4 million to the increase in shareholders' funds.
4 Alternative Performance Measures.
5 The Reference Index changed on 22 May 2018 from the Russell Nomura Mid/Small Cap Index (in sterling terms) to the TOPIX Total Return Index (in sterling terms).

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

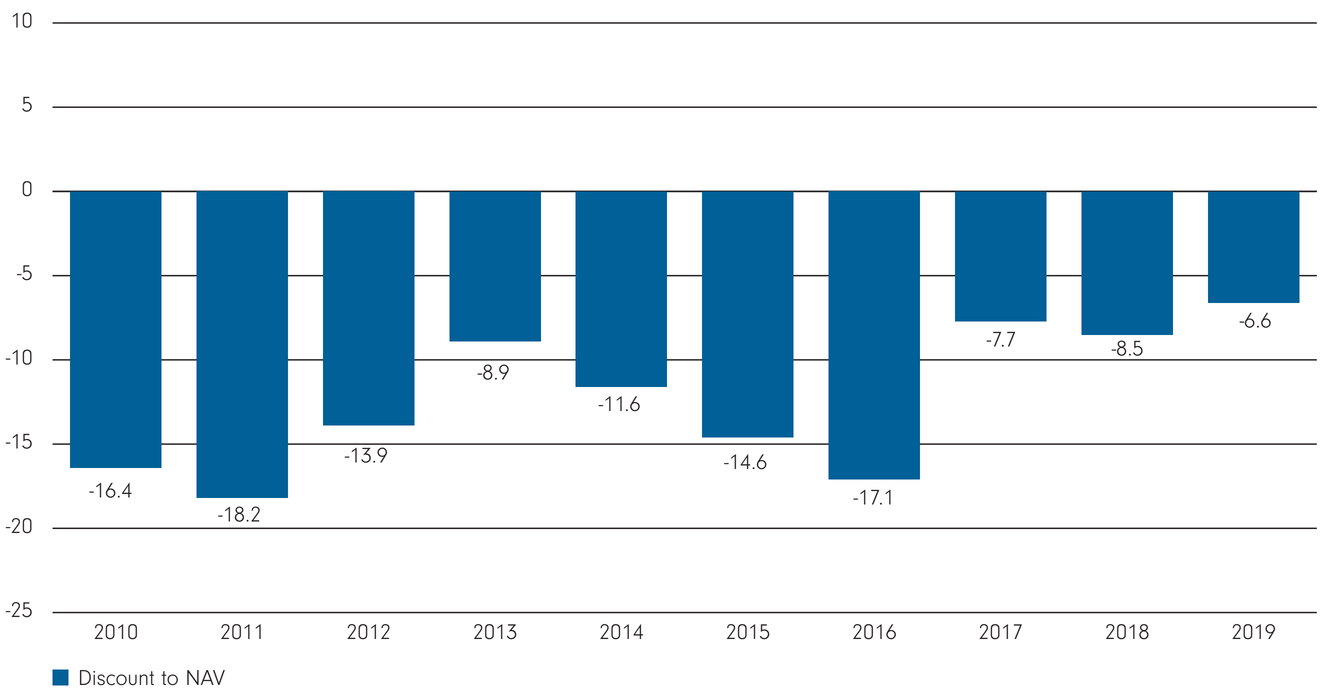
Summary of Performance Charts

NAV and share price for ten years to 31 December 2019



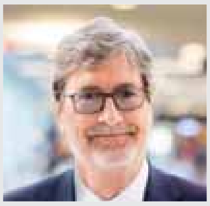
Sources: Fidelity and Datastream.

Share price discount to NAV for ten years to 31 December 2019 (%)



Sources: Fidelity and Datastream.

Board of Directors



David Robins
Chairman*
(since 10 May 2012)
Appointed 1 February 2011

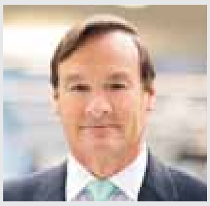
A M N

David Robins is a Director of NHBS Limited and SerraLux Inc. Previously, he was Chairman and Chief Executive of ING Barings following 18 years with UBS, most recently as Executive Vice President Europe having spent several years in Zurich, New York and Tokyo. Prior to this he was, in succession, a Japanese Economist at the Bank of England, an Executive in the Japanese department of James Capel and then Far Eastern Economist and subsequently Chief International Economist at Philips & Drew. He began his career with the Commonwealth Bank in Sydney.

Sarah MacAulay
Senior Independent Director
(since 10 October 2019)*†
Appointed 22 May 2018

A M N

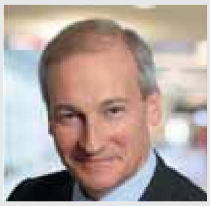
Sarah MacAulay is a non-executive Director of Schroder Asian Total Return Investment Company PLC, Aberdeen New Thai Investment Trust PLC and JPMorgan Multi-Asset Trust PLC. Previously she was a Director of Baring Asset Management (Asia) Limited in Hong Kong and Asian Investment Manager at Kleinwort Benson and Eagle Star in London. She has twenty years of Asian investment experience in London and Hong Kong, managing and marketing portfolios across numerous jurisdictions.



David Graham
Director*
Appointed 22 May 2018

A M N

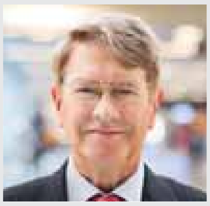
David Graham is a non-executive Director of Templeton Emerging Markets Investment Trust PLC and JPMorgan Chinese Investment Trust PLC. He also serves on the boards of DSP India Investment Fund and DSP India Fund, both umbrella fund structures providing access to Indian equity and fixed income markets. He is a Chartered Accountant and had a career in investment management, firstly as a Japanese and Asian Fund Manager with Lazards in London, Hong Kong and Tokyo and then with BlackRock in building businesses, establishing offices and managing client relationships across Japan, Asia Pacific, UK, Europe, Middle East and Africa.



Sir Laurence Magnus
Chairman of the Audit Committee*†
(since 12 May 2011)
Appointed 1 October 2010

A M N

Sir Laurence Magnus is a Senior Advisor to Evercore Partners, a US listed corporate finance advisory business and Chairman of Historic England. He is Chairman of JP Morgan Multi-Asset Trust PLC, Chairman of Pantheon International PLC and a Director of City of London Investment Trust PLC. He is also a Director or trustee of a number of private companies and charities. Previously he worked for Samuel Montagu & Co Limited (HSBC Investment Bank) in a corporate finance advisory capacity, including a number of years spent in Singapore with responsibilities in South East Asia. He was subsequently, in succession, a Director of Phoenix Securities, a Managing Director of Donaldson, Lufkin and Jenrette and a Managing Director of Credit Suisse First Boston before joining Lexicon Partners in 2001, initially as Deputy Chairman and subsequently as Chairman prior to its merger with Evercore in 2011.



Philip Kay
Director*
Appointed 29 October 2004

A M N

Philip Kay is a Director of two Asian hedge funds, the Akamatsu Bonsai Fund and the CQS Asian Macro Fund. He is a non-executive Director of Hansard Global PLC and also a fellow of Wolfson College, Oxford. He is a former Managing Director and Senior Advisor of Credit Suisse First Boston where he ran the global Japanese cash equity business and was a Director of Schroder Securities Limited and of Smith New Court PLC.

Dominic Ziegler
Director*
Appointed 17 November 2014

A M N

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

* All Directors are non-executive Directors and all are considered to be independent, with the exception of Philip Kay. Sir Laurence Magnus will be stepping down from the Board on 19 May 2020.

† Sarah MacAulay and Sir Laurence Magnus both currently serve as non-executive Directors of JP Morgan Multi-Asset Trust PLC.

Committee membership key

A Audit M Management Engagement N Nomination ■ Committee Chair

Directors' Report

The Directors have pleasure in presenting their report and the audited Financial Statements of the Company for the year ended 31 December 2019.

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

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

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

FIL Limited has no beneficial interest in the shares of the Company (2018: same).

The Board reviews the Management Agreement at least annually and details are included in the Corporate Governance Statement on page 29.

Management Fee
Since 1 July 2018, the Company has had a variable management fee agreement which comprises a set base fee and a positive or negative variable element. The set base fee reduced from 0.85% of **gross** assets to 0.70% of **net** assets per annum, with a +/- 0.20% variable fee based on performance of the net asset value per share relative to the Reference Index. The variable element of the fee was payable from 1 October 2018 so that a three month performance history could be established on which the variable fee could be calculated. The performance history will in time build up to a period of three years, after which the performance period will start to roll.

The change from gross to net assets provides a significant reduction in absolute fees based on the current level of gearing, with the variable management fee capped, such that the maximum fee that the Company will pay is 0.90% of net assets. However, if the Company underperforms the Reference Index, the overall fee can fall as low as 0.50% of net assets. The variable management fee is accrued daily and paid monthly. There is no change to the investment process as a result of the revised fee. Fees for the reporting year were £1,226,000 (2018: £1,843,000).

In addition, the Manager provides secretarial and administration services for which fees are paid quarterly. These amounted to £50,000 for the year ended 31 December 2019 (2018: £47,000).

The Board
All Directors served on the Board throughout the year ended 31 December 2019 and up to the date of this report. A brief description of all serving Directors is shown on page 23 and indicates their qualifications for Board membership.

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

Going Concern Statement
The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its expenditure and cash flow projections and have concluded that the Company has adequate resources to continue to adopt the going concern basis for at least twelve months from the date of this Annual Report. This conclusion also takes into account the Board's assessment of the risks arising from the Coronavirus (COVID-19) as set out in the Pandemic Risk on page 14. The prospects of the Company over a period longer than twelve months can be found in the Viability Statement on page 14.

Auditor's Appointment
A resolution to reappoint Ernst & Young LLP as Auditor to the Company will be proposed at the AGM on 19 May 2020.

Disclosure of Information to the Company's Auditor
As required by Section 418 of the Companies Act 2006, each Director in office as at the date of this Annual Report confirms that:

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

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

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

Registrar, Custodian and Depositary Arrangements
The Company has appointed Link Asset Services as its Registrar to manage the Company's share register, JPMorgan Chase Bank as its Custodian, which is primarily responsible for safeguarding the Company's assets, and J.P. Morgan Europe Limited as its Depositary, which is primarily responsible for oversight of the custody of investment funds and the protection of investors' interests. Fees paid to these service providers are disclosed in Note 5 on page 49.

Share Capital
The Company's share capital comprises ordinary shares of 25 pence each which are fully listed on the London Stock Exchange. As at 31 December 2019, the share capital of the Company was 136,161,695 ordinary shares (2018: 136,161,695) of which 2,954,605 shares (2018: 1,025,500) are held in Treasury. Shares in Treasury do not have voting rights, therefore, the total number of ordinary shares with voting rights was 133,207,090 (2018: 135,136,195).

Premium/Discount Management: Enhancing Shareholder Value
The Board recognises the importance of the relationship between the Company's share price and the NAV per share and monitors this closely. It seeks authority from shareholders each year to issue shares at a premium or to repurchase shares at a discount to the NAV, either for cancellation or for holding in Treasury. The Board will exercise these authorities if deemed to be in the best interests of shareholders at the time. Further details of the Company's discount management policy can be found in the Chairman's Statement on pages 2 and 3.

Share Issues
No ordinary shares were issued during the year to 31 December 2019 (2018: nil) and none have been issued since the year end and as at the date of this report.

The authorities to issue shares and to disapply pre-emption rights expire at the AGM on 19 May 2020 and therefore resolutions to renew these authorities will be put to shareholders at this AGM.

Share Repurchases and Treasury Shares
During the reporting year, 1,929,105 ordinary shares were repurchased for holding in Treasury (2018: 470,500). This represented 1.4% of the issued share capital as at 31 December 2019. Since the year end and as at the date of this report, a further 651,769 ordinary shares have been repurchased into Treasury. No shares have been repurchased for cancellation.

The authority to repurchase ordinary shares expires at the AGM on 19 May 2020 and a resolution to renew the authority to purchase shares, either for cancellation or to buy into Treasury, will be put to shareholders at this AGM.

Substantial Share Interests
The table below provides an analysis of shareholders who held more than 3% of the voting share capital of the Company as at 31 December 2018, 31 December 2019 and 29 February 2020.

Shareholders	29 February 2020 %	31 December 2019 %	31 December 2018 %
Lazard Asset Management	**18.0**	**17.9**	20.0
Wells Capital Management	**11.2**	**11.6**	15.5
Fidelity Platform Investors	**7.2**	**7.1**	7.8
Hargreaves Lansdown	**6.6**	**6.5**	5.3
1607 Capital Partners	**6.5**	**9.4**	10.8
City of London Investment Management	**5.5**	**6.1**	–
Wesleyan Assurance	**3.9**	**3.9**	4.0
Charles Stanley	**3.3**	**3.4**	3.5

Directors' Report continued

Additional Information Required in the Directors' Report
Information on proposed dividends, financial instruments and greenhouse gas emissions is set out in the Strategic Report on pages 12 to 16.

ANNUAL GENERAL MEETING – 19 MAY 2020

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 advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000.

Fidelity Platform Investors
If you hold your shares in the Company through the Fidelity platform, then Fidelity passes on to you the right to vote on the proposed resolutions at the Company's AGM. Investors may vote online and register their intention to attend the AGM via the Broadridge Service (a company that specialises in investor voting facilities) as explained in previous correspondence from Fidelity. Investors can sign up to this facility via their Fidelity Investor Account.

Proxy Voting
Link Asset Services, the Registrar, introduced a paperless proxy voting process last year. However, in view of the public health impact of the Coronavirus (COVID-19) and your well-being as shareholders, for this year's AGM we are sending a paper Proxy Form to all shareholders on the main share register so that you are able to vote in advance of the meeting.

In view of the emerging public health impact of the Coronavirus (COVID-19) and in the interests of your well-being as investors, we have changed the format of the AGM this year and we are actively encouraging you to vote by proxy or through investor voting facilities available to you. As mentioned in the Chairman's Statement on page 4, and as at the date of this report, public gatherings of more than two people are not permitted under the Stay at Home Measures. Please do not attend the meeting in person as you will not be admitted.

If you have sold, transferred or otherwise disposed of all your shares in the Company, you should pass this document, together with any other accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

At the AGM on 19 May 2020, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 62 and 63, including the items of special business summarised in the next column.

Authority to Allot Shares
Resolution 11 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,702,021. If passed, this resolution will enable the Directors to allot a maximum of 6,808,084 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company (including Treasury shares) as at 7 April 2020, and to impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter.
The Directors would not intend to use this power unless they considered that it was in the interests of shareholders to do so. Any shares issued would be at NAV per share or at a premium to NAV per share.

Authority to Disapply Pre-Emption Rights
Resolution 12 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities or sale of Treasury shares for cash up to an aggregate nominal value of £1,702,021 (including Treasury shares) (approximately 5% of the issued share capital of the Company as at 7 April 2020 and equivalent to 6,808,084 ordinary shares).

Authority to Repurchase Shares
Resolution 13 is a special resolution which renews the Company's authority to purchase up to 14.99% (19,870,042) of the ordinary shares in issue (excluding Treasury Shares) on 7 April 2020, either for immediate cancellation or for retention as Treasury shares, at the determination of the Directors. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or by cancelling the shares. Purchases of ordinary shares will be made at the discretion of the Directors and within guidelines set from time-to-time by them in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share.

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

By order of the Board
FIL Investments International
Secretary
7 April 2020

Corporate Governance Statement

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

Corporate Governance Codes

The Board follows the principles and provisions of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council (the "FRC") in July 2018. The Board also follows the AIC Code of Corporate Governance (the "AIC Code") issued by the Association of Investment Companies (the "AIC") in February 2019. The AIC Code addresses the principles and provisions of the UK Code. The FRC has confirmed that investment companies which report against the AIC Code will meet their obligations under the UK Code and paragraph 9.8.6 of the Listing Rules. This Statement, together with the Statement of Directors' Responsibilities on page 34, set out how the principles have been applied.

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

Statement of Compliance

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code for the year under review and up to the date of this report, except in relation to the UK Code provisions relating to the role of the chief executive, executive directors' remuneration, and the need for an internal audit function. The Board considers that these provisions are not relevant to the position of the Company, as it is an externally managed investment company and all its day to day management and administrative functions are delegated to the Manager. It therefore has no executive directors, employees or internal operations.

THE BOARD

Board Composition

The Board, chaired by David Robins, consists of six non-executive Directors and will revert to five non-executive Directors when Sir Laurence Magnus steps down from the Board at the conclusion of the AGM on 19 May 2020. David Robins will retire at the conclusion of the Company's AGM in 2021 and Philip Kay will step down from the Board at the AGM in 2022.

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

Sarah MacAulay was appointed as the Senior Independent Director on 10 October 2019 and fulfils the role of sounding board for the Chairman and intermediary for the other Directors as necessary. She also acts as a channel of communication for shareholders in the event that contact through the Chairman is inappropriate.

Biographical details of all the Directors are on page 23.

Board Responsibilities

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

All Directors are considered to be independent of the Manager and considered to be free from any relationship which could materially interfere with the exercise of their independent judgement. The Board follows a procedure of notification of other interests that may arise as part of considering any potential conflicts and is satisfied that none have arisen in the year under review.

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

Board Meetings

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on page 28 gives the attendance record for the meetings held during the reporting year. The Portfolio Manager and key representatives of the Manager also attend these meetings. Between these meetings there is regular contact with the Manager and other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred to them by the Board and the Chairman is in contact with the other Directors regularly without representatives of the Manager being present.

Corporate Governance Statement continued

	Regular Board Meetings	Nomination Committee Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
David Robins	4/4	1/1	3/3	1/1
David Graham	4/4	1/1	3/3	1/1
Philip Kay	4/4	1/1	3/3	1/1
Sarah MacAulay	4/4	1/1	3/3	1/1
Sir Laurence Magnus	4/4	1/1	3/3	1/1
Dominic Ziegler	4/4	1/1	3/3	1/1

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

In addition to the formal Board and Committee meetings, the Board undertakes a due diligence trip to Japan every twelve to eighteen months. On such trips, the Board meets with the management of existing and potential investee companies alongside the Portfolio Manager. In light of the wide spread of the Coronavirus (COVID-19), the trip scheduled for February 2020 was postponed to March 2021.

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

Changes to the Board
Changes to the Board take place in accordance with the Companies Act 2006, the Company's Articles of Association and the AIC Code. The Nomination Committee is responsible for identifying possible candidates, however, any proposal for a new Director is discussed and approved by the entire Board. External consultants who have no connection with the Company are used to identify potential candidates.

Director Training
Upon appointment, each Director is provided with all relevant information regarding the Company and receives an induction in the investment operation and administration functions of the Company, together with a summary of their duties and responsibilities to the Company. Directors also receive regular briefings from, amongst others, the AIC, the Company's Auditor and the Company Secretary, regarding any proposed developments or changes in law or regulations that could affect the Company and/or the Directors.

Election and Re-Election of Directors
All newly appointed Directors stand for election by the shareholders at the AGM following their appointment by the Board. All other Directors are subject to annual re-election by the shareholders. All Directors, with the exception of Sir Laurence Magnus, will be standing for re-election at this year's AGM and are listed, together with their biographical details, on page 23. The terms and letters of appointment of Directors are available for inspection at the registered office of the Company and will be available prior to the AGM on 19 May 2020.

Board Evaluation
An annual evaluation of the Board, its Directors and its Committees is undertaken. It takes the form of written questionnaires and discussions. The performance of the Chairman is evaluated by the other Directors. The results of these evaluations are discussed by the Board and the process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and action is taken on the basis of the results. The Board considers tenure of individual Directors as one of the matters in the evaluation process. A Director may serve for more than nine years provided that Director is considered by the Board to continue to be independent in judgement and character. The Board last undertook an evaluation in October 2019 and determined that the Board functioned well with the right balance of membership and skills.

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

BOARD COMMITTEES

The Board has three Committees through which it discharges certain of its corporate governance responsibilities. These are the Audit Committee, the Management Engagement Committee and the Nomination Committee. Terms of reference of each Committee are available on the Company's pages of the Manager's website at **www.fidelityinvestmenttrusts.com**.

The Audit Committee

The Audit Committee is chaired by Sir Laurence Magnus and consists of all of the Directors. Full details are disclosed in the Report of the Audit Committee on pages 35 to 37.

The Management Engagement Committee

Composition

The Management Engagement Committee is chaired by David Robins and consists of all of the Directors.

Role and Responsibilities

The Committee is charged with reviewing and monitoring the performance of the Manager and for ensuring that the terms of the Company's Management Agreement remains competitive and reasonable for shareholders. It meets at least once a year and reports to the Board, making recommendations where appropriate.

Manager's Reappointment

Ahead of the AGM, the Committee has reviewed the performance of the Manager and the current fee basis and also that of its peers. The Committee noted the Company's performance record and the commitment, quality and continuity of the team responsible for the Company and concluded that it was in the interests of shareholders that the appointment of the Manager should continue. Details of the fee structure for the year ended 31 December 2019 is in the Directors' Report on page 24.

The Nomination Committee

Composition

The Nomination Committee is chaired by David Robins and consists of all of the Directors.

Role and Responsibilities

The Committee meets at least once a year and reviews the composition, size and structure of the Board and makes recommendations to the Board as appropriate. The Committee is responsible for succession planning and it is charged with nominating new Directors for consideration by the Board, and in turn for approval by shareholders.

In respect of new Directors, the Committee carries out its candidate search against a set of objective criteria, with due regard for the benefits of diversity on the Board, including gender. New Directors are appointed on the basis of merit. External consultants are used to identify potential candidates.

The Committee also considers the election and re-election of Directors ahead of each AGM. For the forthcoming AGM, it has considered the performance and contribution to the Company of each Director and concluded that each Director has been effective and continues to demonstrate commitment to their roles. Accordingly, the Committee has recommended their continued service, with the exception of Sir Laurence Magnus who steps down on 19 May 2020. This has been endorsed by the Board, which recommends their reappointment by shareholders at the AGM on 19 May 2020.

Accountability and Audit

Financial Reporting

Set out on page 34 is a statement by the Directors of their responsibilities in respect of the preparation of the Annual Report and Financial Statements. The Auditor has set out its reporting responsibilities within the Independent Auditor's Report to the Members on pages 38 to 42.

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

Risk Management and Internal Controls

The Board is responsible for the Company's systems of risk management and of internal controls and for reviewing their effectiveness. The review takes place at least once a year. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives. It is responsible for the design, implementation and maintenance of controls and procedures to safeguard the assets of the Company although these tasks have been delegated on a day-to-day basis to the Manager. The system extends to operational and compliance controls and risk management. Clear lines of accountability have been established between the Board and the Manager. The Manager provides regular reports on controls and compliance issues to the Audit Committee and the Board including service providers' own internal controls reports which are received by the Board on an annual basis. The Board also receives an internal controls report of Fidelity's institutional range (which includes the investment trust business). This report is prepared by PwC. In carrying out its review, the Audit Committee has regard to the activities of the Manager, the Manager's compliance and risk functions and the work carried out by the Company's Auditor and also includes consideration of internal controls and similar reports issued by the other service providers.

The Board, assisted by the Manager, has undertaken a rigorous risk and controls assessment. It confirms that there is an effective ongoing process in place to identify, evaluate and manage the Company's principal business and operational risks, and that it has been in place throughout the year ended 31 December 2019 and up to the date of this report. This process is in accordance with the FRC's "Risk Management, Internal Control and Related Financial Business Reporting" guidance.

The Board has reviewed the need for an internal audit function and has determined that the systems and procedures employed by the Manager, which are subject to inspection by

Corporate Governance Statement continued

the Manager's internal and external audit processes, provide sufficient assurance that a sound system of internal controls is maintained over the Company's assets. An internal audit function, specific to the Company, is therefore considered unnecessary. The Audit Committee meets the Manager's internal audit representative at least once a year. It receives a summary of the Manager's externally audited internal controls report on an annual basis.

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

Responsibility as 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. Fidelity is a signatory to the UK Stewardship Code which sets out the responsibilities of institutional shareholders and agents. Further details of the Manager's Principles of Ownership and voting may be found at **www.fidelity.co.uk**.

Relations with Shareholders
Communication with shareholders is given a high priority by the Board and it liaises with the Manager and the Company's broker who are in regular contact with the Company's major institutional investors to canvass shareholder opinion and to communicate its views to shareholders. All Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and, where appropriate, other Directors, are available to meet with shareholders to discuss strategy and governance. In addition, the Portfolio Manager has also met with major shareholders and investors in the UK and Tokyo. The Board regularly monitors the shareholder profile of the Company and receives regular reports from the Manager on meetings attended with shareholders and any concerns raised in such meetings. The Board aims to provide the maximum opportunity for dialogue between the Company and its shareholders. If any shareholder wishes to contact a member of the Board directly, they should either email the Company Secretary at **investmenttrusts@fil.com** or write to the address provided on page 66. The Company Secretary will attend to any enquiries promptly and ensure that they are directed as appropriate to the Chairman, the Senior Independent Director or the Board as a whole, as appropriate.

In view of the public health impact of the Coronavirus (COVID-19) and having the well-being of investors and the Fidelity team in mind, the AGM this year will run with a reduced programme and will be limited to the formal business of the meeting. As at the date of this report, the Stay at Home Measures mandate that only two members will be allowed to attend in person. Further information can be found on page 4.

The Notice of Meeting on pages 62 to 64 sets out the business of the AGM and the special business resolutions are explained more fully on page 26 of the Directors' Report. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Notice of Meeting and related papers are sent to shareholders at least 20 working days before the AGM.

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

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

On behalf of the Board

David Robins
Chairman
7 April 2020

Directors' Remuneration Report

Chairman's Statement

The Directors' Remuneration Report for the year ended 31 December 2019 has been prepared in accordance with the Large & Medium sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 (the "Regulations"). As the Board is comprised entirely of non-executive Directors and has no chief executive and employees, many parts of the Regulations, in particular those relating to chief executive officer pay and employee pay, do not apply and are therefore, not disclosed in this report.

Ordinary resolutions to approve the Directors' Remuneration Report and the Remuneration Policy will be put to shareholders at the AGM on 19 May 2020. The Company's Auditor is required to audit certain sections of this report and where such disclosures have been audited, the specific section has been indicated as such. The Auditor's opinion is included in its report on pages 38 to 42.

Directors' Remuneration

The fee structure with effect from 1 January 2020 is as follows: Chairman: £37,000 (2018: £35,000); Chairman of the Audit Committee: £30,000 (2018: £26,500); and Directors: £26,000 (2018: £24,000). Increases in Directors' remuneration are made to ensure that fees remain competitive and sufficient to attract and retain the quality of Directors needed to manage the Company successfully.

The Board has a Remuneration Policy which is subject to a binding vote, in the form of an ordinary resolution at every third Annual General Meeting ("AGM"). A binding vote means that if it is not successful the Board will be obliged to revise the policy and seek further shareholder approval at a General Meeting specially convened for that purpose. The current policy, which was approved at the AGM on 6 June 2017, is set out below. It will be put to shareholders for approval at the AGM on 19 May 2020. No changes are recommended.

The Remuneration Policy

The Company's Articles of Association limit the aggregate fees payable to each Director to £50,000 per annum. Subject to this overall limit, it is the Board's policy to determine the level of Directors' fees having regard to the time spent by them on the Company's affairs; the level of fees payable to non-executive directors in the industry generally; the requirement to attract and retain individuals with suitable knowledge and experience; and the role that individual Directors fulfil. Other than fees and reasonable travel expenses incurred in attending to the affairs of the Company, the Directors are not eligible for any performance related pay or benefits, pension related benefits, share options, long term incentive schemes, or other taxable benefits. The Directors are not entitled to exit payments and are not provided with any compensation for loss of office.

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

No Director has a service contract with the Company. New Directors are provided with a letter of appointment which, amongst other things, provides that their appointment is subject to the Companies Act 2006 and the Company's Articles of Association. Copies of the Directors' letters of appointment are available at each of the Company's AGMs and can be obtained from the Company's registered office.

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

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

Voting on the Remuneration Policy

The Remuneration Policy (the "Policy"), as set out above, was approved at the AGM on 6 June 2017 with 99.82% of votes cast in favour, 0.13% of votes cast against and 0.05% of votes withheld. The next vote will be put to shareholders at the AGM on 19 May 2020 and the votes cast will be disclosed on the Company's pages of the Manager's website at: **www.fidelityinvestmenttrusts.com**. The Policy has been followed throughout the year ended 31 December 2019 and up to the date of this report.

Voting on the Directors' Remuneration Report

At the AGM held on 21 May 2019, 99.83% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 December 2018, 0.12% of votes were cast against and 0.05% of votes were withheld.

The Directors' Remuneration Report for the year ended 31 December 2019 will be put to shareholders at the AGM on 19 May 2020, and the votes cast will be disclosed on the Company's pages of the Manager's website at **www.fidelityinvestmenttrusts.com**.

Single Total Figure of Directors' Remuneration

The single total aggregate Directors' remuneration for the year under review was £157,500 (2018: £140,643). No taxable expenses, which are considered by HMRC to be a taxable benefit, were claimed by any Board member in the reporting year. Directors' fees are disclosed in the table on the next page.

Directors' Remuneration Report continued

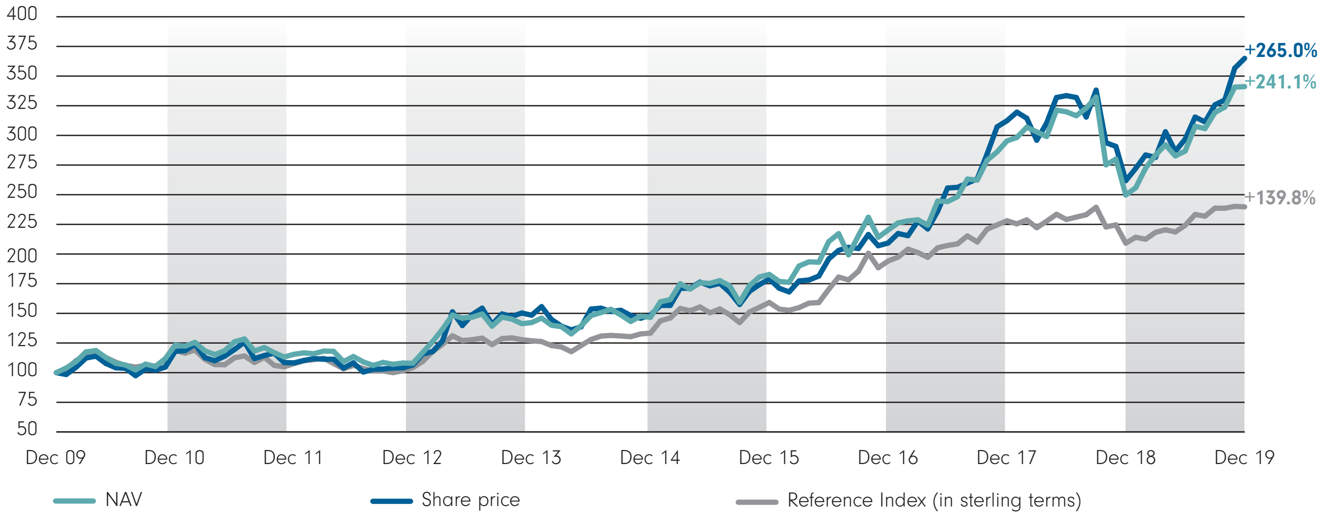
	2020 Projected fees (£)	**2019 Fees (Audited) (£)**	**2019 Taxable Expenses (Audited) (£)**	**2019 Total (Audited) (£)**	2018 Fees (Audited) (£)	2018 Taxable Expenses (Audited) (£)	2018 Total (Audited) (£)
Remuneration of Directors							
David Robins	37,000	**35,000**	**–**	**35,000**	35,000	–	35,000
David Graham[1]	28,481	**24,000**	**–**	**24,000**	14,738	–	14,738
Philip Kay	26,000	**24,000**	**–**	**24,000**	24,000	–	24,000
Sarah MacAulay	26,000	**24,000**	**–**	**24,000**	14,738	–	14,738
Sir Laurence Magnus[2]	11,475	**26,500**	**–**	**26,500**	26,500	–	26,500
Mami Mizutori[3]	n/a	**n/a**	**n/a**	**n/a**	1,667	–	1,667
Dominic Ziegler	26,000	**24,000**	**–**	**24,000**	24,000	–	24,000
Total	154,956	**157,500**	**–**	**157,500**	140,643	–	140,643

1 Fees pro-rated to reflect becoming Chairman of the Audit Committee from 19 May 2020.
2 Retiring on 19 May 2020.
3 Retired on 1 February 2018.

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

Performance
The Company's objective is to achieve long term capital growth by investing predominantly in equities and related securities of Japanese companies. The graph below shows the performance of the Company's NAV, share price and the Reference Index (in sterling terms) over ten years to 31 December 2019.

Total return performance for the ten years to 31 December 2019



Rebased to 100.
Sources: Fidelity and Datastream.
Past performance is not a guide to future returns.

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

Directors' Shareholdings (Audited)

	31 December 2019	31 December 2018	Change during year
David Robins	**37,000**	37,000	–
David Graham[1]	**38,394**	18,000	20,394
Philip Kay	**12,094**	12,094	–
Sarah MacAulay[2]	**61,350**	27,600	33,750
Sir Laurence Magnus	**48,000**	48,000	–
Dominic Ziegler[3]	**16,000**	nil	16,000

1 Purchase of shares by self and connected person.
2 Purchase of shares by self and connected persons.
3 Purchase of shares by self.

All shareholdings remain unchanged as at the date of this report.

On behalf of the Board

David Robins
Chairman
7 April 2020

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the Financial Statements in accordance with UK Generally Accepted Accounting Practice, including FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss for the reporting period.

In preparing these Financial Statements, the Directors are required to:

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

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

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

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

The Directors confirm that to the best of their knowledge:

- The Financial Statements, prepared in accordance with FRS 102, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- The Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces.

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

Approved by the Board on 7 April 2020 and signed on its behalf by:

David Robins
Chairman

Report of the Audit Committee

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

The primary responsibilities of the Committee are to ensure the integrity of the Company's financial reporting, the appropriateness of the risk management and internal controls processes and the effectiveness of the independent audit process and how this has been assessed for the year ended 31 December 2019.

Composition

The members of the Committee are myself as Chairman and all of the other Directors. David Robins is a member of the Committee because the Board believes it is appropriate for all Directors to have such responsibility. All Committee members are independent non-executive Directors, with the exception of Philip Kay, and collectively have sufficient recent and relevant financial experience to discharge their responsibilities fully.

The Committee's performance is evaluated annually as part of the overall Board evaluation process.

Role and Responsibilities

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

- Establishing with the Auditor the nature and scope of the audit, reviewing the Auditor's quality control procedures and reporting, assessing the effectiveness of the audit process and judging the Auditor's independence and objectivity with particular regard to the provision of non-audit services;
- Responsibility for making recommendations on the appointment, reappointment and removal of the Auditor;
- Reviewing the effectiveness of the Company's risk management and internal controls systems (including financial, operational and compliance controls), considering the scope of the work undertaken by the Manager's internal audit department, including review of the work performed by Internal Audit, and reviewing the Company's procedures for detecting fraud;
- Monitoring the integrity of the Company's half-yearly and annual financial statements to ensure that they are fair, balanced and understandable;
- Reviewing the existence and performance of all controls operating in the Company, including the reviews of internal controls reporting provided in relation to its service providers; and
- Reviewing the relationship with and the performance of third party service providers (such as the Registrar, Custodian and Depositary).

Meetings and Business Considered

Since the date of the last Annual Report (28 March 2019), the Committee has met three times and the Auditor has attended two of these meetings.

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

- The Company's risk management and internal controls framework;
- The Company's compliance with its investment policy limits;
- The methodology for reaching a fair value of unlisted investments;
- The Depositary's oversight reports;
- The Company's revenue and expenses forecasts and its Balance Sheet; and
- The Committee's Terms of Reference.

Report of the Audit Committee continued

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

July 2019	• The Half-Yearly Report and Financial Statements and recommendation of its approval to the Board • The Going Concern Statement
October 2019	• The Auditor's engagement letter and audit plan for the Company's year ending 31 December 2019 • The Manager's internal audit reporting, including review of the Internal Audit plan • Cybersecurity and the controls in place to mitigate the risks of attacks • Review of outsourced third party service providers' control reports
March 2020	• The Auditor's findings from the audit of the Company • The Auditor's performance, independence and confirmation of reappointment • Compliance with Corporate Governance and regulatory requirements • The Annual Report and Financial Statements and recommendation of its approval to the Board • Review of the AAF Reports ("Assurance reports on internal controls of service organisations made available for third parties") • The Viability and Going Concern Statements • Taking account of the impact of the Coronavirus (COVID-19) on global markets and the Company's operations, and including a post balance sheet event to this effect. Please see Note 19 on page 59.

Annual Report and Financial Statements
The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities is on page 34. The Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise in relation to these and any specific areas which require judgement. The Committee members apply their expertise and knowledge in reviewing disclosures made in order to ensure that the Financial Statements are fair, balanced and understandable.

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

Recognition of Investment Income	Investment income is recognised in accordance with accounting policy Note 2(e) on page 46. The Manager provided detailed revenue forecasts which the Committee reviewed and confirmed that there were no significant variances to these forecasts. The Committee reviewed the internal audit and compliance monitoring reports received from the Manager, as well as an additional AAF Internal Controls report prepared by PwC, to satisfy itself that adequate systems were in place for properly recording the Company's investment income. Investment income was also tested and reported by the Auditor.
Valuation, existence and ownership of investments (including derivatives)	The valuation of investments (including derivatives) is in accordance with accounting policy Notes 2(j) and 2(k) on page 47. The Committee took comfort from the Depositary's regular oversight reports that investment related activities were conducted in accordance with the Company's investment policy. The Committee received reports from the Manager, the Depository, and PwC that the valuation, existence and ownership of investments had been verified. In addition, the Committee received confirmation from the Auditor that it has tested the valuation of the Company's investments and derivatives by reference to independent sources and had also confirmed the existence and ownership of investments with the Company's Custodian and that of the derivatives with the Company's counterparties.

Independence and Effectiveness of the Audit Process
Ernst & Young LLP acted as the Company's Independent Auditor for the year ended 31 December 2019. Fees paid to the Auditor for the audit of the Company's Financial Statements are disclosed in Note 5 on page 49.

With regard to the independence of the Auditor, the Committee took account of:

- The Auditor's arrangements for managing any conflicts of interest;
- The fact that no non-audit services were provided to the Company during the reporting year and as at the date of this report; and
- The statement by the Auditor that it remains independent within the meaning of the regulations and its professional standards.

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

- The fulfilment by the Auditor of the agreed audit plan, including the audit team's approach to significant risks;
- The audit findings report issued by the Auditor on the audit of the Annual Report and Financial Statements for the year ended 31 December 2019; and
- Feedback from the Manager on the audit of the Company.

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

Auditor's Appointment and Audit Tenure
Ernst & Young LLP was appointed as the Company's Auditor on 24 May 2016 following a formal audit tender process in 2015. The Committee has reviewed the Auditor's independence and the effectiveness of the audit process prior to recommending its reappointment for a further year. The Auditor is required to rotate audit partners every five years and this is the fourth year that the audit partner, Matthew Price, has been in place. The Committee will continue to review the Auditor's appointment each year to ensure that the Company continues to receive an optimal level of service. There are no contractual obligations that restrict the Company's choice of auditor.

Sir Laurence Magnus
Chairman of the Audit Committee
7 April 2020

Independent Auditor's Report to the Members of Fidelity Japan Trust PLC

Opinion
We have audited the Financial Statements of Fidelity Japan Trust PLC (the Company) for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet and the related Notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

Conclusions relating to principal risks, going concern and viability statement
We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 12 to 14 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 12 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 24 in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 14 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Incomplete and/or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the income statement. • Incorrect valuation and/or defective title to the investment portfolio and derivatives.
Materiality	• Overall materiality of £2.52m which represents 1% of the net asset value of the Company as at 31 December 2019.

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete and/or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the income statement *Refer to the Report of the Audit Committee (page 36); Accounting Policies (page 46); and Note 3 of the Financial Statements (page 48).* The Company has reported revenue of £2.91m (2018: £2.79m). The investment income receivable by the Company during the year directly affects the Company's ability to pay a dividend to shareholders. There is a risk that income is recognised incorrectly through failure to recognise proper income entitlements or applying appropriate accounting treatment. We identified the classification of special dividends between revenue and capital to be a fraud risk due to the level of judgement involved in this classification. Special dividends can be included within either the capital or revenue columns of the income statement, depending on the commercial circumstances behind the payments. During the year, the Company received three special dividends amounting to £0.02m (2018: £nil), all of which were classified as revenue.	We performed the following procedures: • Walked through the revenue recognition process and classification of special dividends and obtained an understanding of the design and implementation of the controls; • Agreed a sample of dividends to the corresponding announcement made by the investee company and agreed cash received to bank statements; • Tested completeness of dividend income by selecting a sample of investee companies, for which we agreed the dividend announcements to the income recorded by the Company; • Agreed all accrued dividends to an independent source and to post year end bank statement to assess the recoverability of these amounts; • Performed a review of the income and capital reports to identify special dividends, above our testing threshold, that have been received and accrued during the period; • For special dividends, we reviewed all the underlying circumstances and motives for the payments to verify the classification as revenue or capital items; and • For a sample of dividends selected, we compared the exchange rate used to translate the dividend income received in foreign currency to an independent source.	We have no issues to communicate to the Audit Committee with respect to our procedures performed over incomplete and/or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement.

Independent Auditor's Report to the Members of Fidelity Japan Trust PLC continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation and/or defective title to the investment portfolio and derivatives *Refer to the Report of the Audit Committee (page 36); Accounting Policies (page 47); and Notes 9 and10 of the Financial Statements (pages 51 and 52).* The valuation of investments and derivatives as at the year end was £251.07m (2018: £179.73m) comprising £245.42m (2018: £185.99m) of listed investments and £1.97m of net derivatives (2018: £(6.26)m). The Company also acquired during the second half of the year unlisted investments valued at £3.68m (2018: nil) The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. The incorrect valuation of the investment portfolio, including incorrect application of exchange rates, could have a significant impact on the Financial Statements. In addition, there is a risk of defective title of the entire investment portfolio.	We performed the following procedures: • Walked through the investment valuation process; • Independently verified 100% of the listed investments and derivatives prices in the portfolio using independent pricing sources; • Obtained share purchase agreements for unlisted investments and agreed considerations paid to bank statements; • For those investments priced in currencies other than sterling compared the exchange rates to an independent source; • Agreed 100% of the holdings in the investment portfolio and derivatives to third party confirmations received from the Custodian or Brokers; • Performed an independent evaluation of the portfolio's liquidity through analysing the trading volume of the investments; • Assessed the impact of COVID-19 on the valuation of the Company's portfolio and considered the nature of this post balance sheet event disclosed in the Financial Statements; and • Reviewed the disclosure included in Note 19 to the Financial Statements to ensure that the events occurring after the year end had been appropriately considered and disclosed.	We have no issues to communicate to the Audit Committee with respect to our procedures performed over incorrect valuation and/or defective title to the investment portfolio and derivatives. We concluded that the impact of COVID-19 on the Company's investment performance was that of a non-adjusting post balance sheet event and has been adequately disclosed in the Financial Statements.

Key audit matters remain unchanged from the prior year.

Emphasis of matter – effects of COVID-19
We draw attention to Note 19 (Post Balance Sheet Event) of the Financial Statements, which describes the economic impact the Company is facing as a result of COVID-19 and the potential impact on the Company's financial performance and business continuity protocols. Our opinion is not modified in respect of this matter.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Tailoring the scope
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the Financial Statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

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

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

We determined materiality for the Company to be £2.52m (2018: £1.88m), which is 1% (2018: 1%) of the net asset value of the Company. We have used the net asset value of the Company as the basis for setting materiality as it provides the most important financial metric on which shareholders judge the performance of the Company and it is a generally accepted auditing practice for investment trust audits.

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2018:

75%) of our planning materiality, namely £1.89m (2018: £1.41m). We have set performance materiality at this percentage due to past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.13m (2018: £0.09m), which is set at 5% (2018: 5%) of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the Annual Report set out on page 26, other than the Financial Statements and our Auditor's Report thereon. The Directors are responsible for the other information.

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

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable set out on page 29** – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit Committee Reporting set out on page 35** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee the explanation as to why the Annual Report does not include a section describing the work of the Audit Committee is materially inconsistent with our knowledge obtained in the audit; or

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

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

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

- the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 34, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the

Independent Auditor's Report to the Members of Fidelity Japan Trust PLC continued

preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the Financial Statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

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

- We understood how Fidelity Japan Trust PLC is complying with those frameworks through attending meetings with the Audit Committee and review of the Company's documented policies and procedures.

- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur by considering the key risks impacting the Financial Statements. We identified a fraud risk with respect to the incomplete and/or inaccurate income recognition through incorrect classification of special dividends. Further discussion of our approach is set out in the section on key audit matters above.

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

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Other matters we are required to address

- We were appointed by the Company on 24 May 2016 to audit the Financial Statements for the year ended 31 December 2016 and subsequent financial periods.

- The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ending 31 December 2016 to 31 December 2019.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

- The audit opinion is consistent with the additional report to the Audit Committee.

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

Matthew Price
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
London
7 April 2020

Notes:

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

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

Income Statement
for the year ended 31 December 2019

		Year ended 31 December 2019			Year ended 31 December 2018		
	Notes	**revenue £'000**	**capital £'000**	**total £'000**	revenue £'000	capital £'000	total £'000
Gains/(losses) on investments	9	**–**	**52,982**	**52,982**	–	(27,452)	(27,452)
Gains/(losses) on derivative instruments	10	**–**	**14,155**	**14,155**	–	(6,873)	(6,873)
Income	3	**2,906**	**–**	**2,906**	2,795	–	2,795
Investment management fees	4	**(1,555)**	**329**	**(1,226)**	(1,939)	96	(1,843)
Other expenses	5	**(600)**	**–**	**(600)**	(555)	–	(555)
Foreign exchange gains		**–**	**16**	**16**	–	70	70
Net return/(loss) on ordinary activities before finance costs and taxation		**751**	**67,482**	**68,233**	301	(34,159)	(33,858)
Finance costs	6	**(93)**	**–**	**(93)**	(143)	–	(143)
Net return/(loss) on ordinary activities before taxation		**658**	**67,482**	**68,140**	158	(34,159)	(34,001)
Taxation on return/(loss) on ordinary activities	7	**(261)**	**–**	**(261)**	(255)	–	(255)
Net return/(loss) on ordinary activities after taxation for the year		**397**	**67,482**	**67,879**	(97)	(34,159)	(34,256)
Return/(loss) per ordinary share	8	**0.29p**	**50.23p**	**50.52p**	(0.07p)	(25.22p)	(25.29p)

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

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

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

STRATEGY GOVERNANCE FINANCIAL INFORMATION FOR SHAREHOLDERS

The Notes on pages 46 to 59 form an integral part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 December 2019

	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
Total shareholders' funds at 31 December 2018		**34,041**	**20,722**	**2,767**	**55,733**	**89,038**	**(14,771)**	**187,530**
Repurchase of ordinary shares	13	**–**	**–**	**–**	**(2,918)**	**–**	**–**	**(2,918)**
Net return on ordinary activities after taxation for the year		**–**	**–**	**–**	**–**	**67,482**	**397**	**67,879**
Total shareholders' funds at 31 December 2019		**34,041**	**20,722**	**2,767**	**52,815**	**156,520**	**(14,374)**	**252,491**
Total shareholders' funds at 31 December 2017		34,041	20,722	2,767	56,474	123,197	(14,674)	222,527
Repurchase of ordinary shares	13	–	–	–	(741)	–	–	(741)
Net loss on ordinary activities after taxation for the year		–	–	–	–	(34,159)	(97)	(34,256)
Total shareholders' funds at 31 December 2018		34,041	20,722	2,767	55,733	89,038	(14,771)	187,530

The Notes on pages 46 to 59 form an integral part of these Financial Statements.

Balance Sheet
as at 31 December 2019
Company number 2885584

	Notes	**2019 £'000**	2018 £'000
Fixed assets			
Investments	9	**249,099**	185,987
Current assets			
Derivative instruments	10	**3,048**	269
Debtors	11	**899**	3,263
Cash collateral held with brokers	16	**–**	7,611
Cash at bank		**1,196**	–
		5,143	11,143
Creditors			
Derivative instruments	10	**(1,075)**	(6,529)
Bank overdraft		**–**	(1,718)
Other creditors	12	**(676)**	(1,353)
		(1,751)	(9,600)
Net current assets		**3,392**	1,543
Net assets		**252,491**	187,530
Capital and reserves			
Share capital	13	**34,041**	34,041
Share premium account	14	**20,722**	20,722
Capital redemption reserve	14	**2,767**	2,767
Other reserve	14	**52,815**	55,733
Capital reserve	14	**156,520**	89,038
Revenue reserve	14	**(14,374)**	(14,771)
Total shareholders' funds		**252,491**	187,530
Net asset value per ordinary share	15	**189.55p**	138.77p

The Financial Statements on pages 43 to 59 were approved by the Board of Directors on 7 April 2020 and were signed on its behalf by:

David Robins
Chairman

The Notes on pages 46 to 59 form an integral part of these Financial Statements.

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 Accounting Policies

The Company has prepared its Financial Statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", issued by the Financial Reporting Council ("FRC"). The Financial Statements have also been prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC"), in November 2014 and updated in October 2019 with consequential amendments. The Company is exempt from presenting a Cash Flow Statement as a Statement of Changes in Equity is presented and substantially all of the Company's investments are highly liquid and are carried at market value.

a) Basis of accounting – The Financial Statements have been prepared on a going concern basis and under the historical cost convention, except for the measurement at fair value of investments and derivative instruments. The Company's Going Concern Statement in the Directors' Report takes account of all events and conditions up to the date of approval of these Financial Statements, as further disclosed in Note 19.

b) Significant accounting estimates and judgements – The Directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The judgements required in order to determine the appropriate valuation methodology of level 3 financial instruments have a risk of causing an adjustment to the carrying amounts of assets. These judgements include making assessments of the possible valuations in the event of a listing or other marketability related risks.

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

d) Presentation of the Income Statement – In order to reflect better the activities of an investment company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been prepared alongside the Income Statement. The net revenue return after taxation for the year is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1159 of the Corporation Tax Act 2010.

e) Income – Income from equity investments is accounted for on the date on which the right to receive the payment is established, normally the ex-dividend date. Overseas dividends are accounted for gross of any tax deducted at source. Amounts are credited to the revenue column of the Income Statement. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend foregone is recognised in the revenue column of the Income Statement. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital column of the Income Statement. Special dividends are treated as a revenue receipt or a capital receipt depending on the facts and circumstances of each particular case.

Derivative instrument income received from dividends on long contracts for difference ("CFDs") is accounted for on the date on which the right to receive the payment is established, normally the ex-dividend date. The amount net of tax is credited to the revenue column of the Income Statement.

f) Investment management fees and other expenses – Investment management fees and other expenses are accounted for on an accruals basis. The base investment management fee and other expenses are charged in full to revenue. The variable investment management fee is charged/credited to capital, as it is based on the performance of the net asset value per share relative to the Reference Index.

g) Functional currency and foreign exchange – The functional and reporting currency of the Company is UK sterling, which is the currency of the primary economic environment in which the Company operates. Transactions denominated in foreign currencies are reported in UK sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the Balance Sheet date. Foreign exchange gains and losses arising on translation are recognised in the Income Statement as a revenue or a capital item depending on the nature of the underlying item to which they relate.

h) Finance costs – Finance costs comprise interest on bank overdrafts and interest paid on long CFDs, which are accounted for on an accruals basis. Finance costs are charged in full to the revenue column of the Income Statement.

2 Accounting Policies continued

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

Current taxation is taxation suffered at source on overseas income less amounts recoverable under taxation treaties. Taxation is charged or credited to the revenue column of the Income Statement, except where it relates to items of a capital nature, in which case it is charged or credited to the capital column of the Income Statement. The Company is an approved Investment Trust under Section 1158 of the Corporation Tax Act 2010 and is not liable for UK taxation on capital gains.

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

j) Investments – The Company's business is investing in financial instruments with a view to profiting from their total return in the form of income and capital growth. This portfolio of investments is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided on that basis to the Company's Board of Directors. Investments are measured at fair value with changes in fair value recognised in profit or loss, in accordance with the provisions of both Section 11 and Section 12 of FRS 102. The fair value of investments is initially taken to be their cost and is subsequently measured as follows:

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

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

k) Derivative instruments – When appropriate, permitted transactions in derivative instruments are used. Some of the Company's portfolio exposure to Japanese equities is achieved by investment in long CFDs. Long CFDs are classified as other financial instruments and are initially accounted and measured at fair value on the date the derivative contract is entered into and subsequently measured at fair value as follows:

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

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

m) Cash collateral held with brokers – These are amounts held in segregated accounts as collateral on behalf of brokers and are subject to an insignificant risk of changes in value.

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

o) Other reserve – The full cost of ordinary shares repurchased and held in Treasury is charged to the other reserve.

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

- Gains and losses on the disposal of investments and derivative instruments;
- Changes in the fair value of investments and derivative instruments held at the year end;
- Foreign exchange gains and losses of a capital nature;
- Dividends receivable which are capital in nature;
- Variable investment management fees; and
- Other expenses which are capital in nature.

Notes to the Financial Statements continued

2 Accounting Policies continued
As a result of technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/17BL, the determination of realised profits and losses in the context of distributions under the Companies Act 2006, changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms at the Balance Sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as capital reserve in the Statement of Changes in Equity and the Balance Sheet. At the Balance Sheet date, the portfolio of the Company consisted of investments listed on a recognised stock exchange and derivative instruments contracted with counterparties having an adequate credit rating, and the portfolio was considered to be readily convertible to cash, with the exception of the level 3 investments which had unrealised foreign exchange losses of £180,000 (2018: £nil). See Note 16 on page 58 for further details on the level 3 investments.

3 Income

	Year ended 31.12.19 £'000	Year ended 31.12.18 £'000
Investment income		
Overseas dividends	**2,607**	2,551
Derivative income		
Dividends received on long CFDs	**299**	244
Total income	**2,906**	2,795

No special dividends have been recognised in capital during the reporting year (2018: nil).

4 Investment Management Fees

	Year ended 31.12.19 £'000	Year ended 31.12.18 £'000
Investment management fees – base (charged to revenue)	**1,555**	1,939
Investment management fees – variable (charged to capital)*	**(329)**	(96)
	1,226	1,843

* For the calculation of the variable management fee element above, the Company's NAV return has been compared to the Reference Index return for the period from 1 July 2018 to 31 December 2019. This has resulted in an underperformance of the NAV and therefore a credit to the company of £329,000.

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

From the 1 July 2018, the Company adopted a new fee arrangement which reduced the base management fee from 0.85% of gross assets to 0.70% of net assets. In addition, with effect from 1 October 2018, there is a +/- 0.20% variation based on performance relative to the Reference Index. Fees are payable monthly in arrears and are calculated on a daily basis.

Further details of the terms of the Management Agreement are given in the Directors' Report on page 24.

5 Other Expenses

	Year ended 31.12.19 £'000	Year ended 31.12.18 £'000
AIC fees	**17**	14
Secretarial and administration fees payable to the Investment Manager	**50**	47
Custody fees	**22**	23
Depositary fees	**21**	24
Directors' expenses	**42**	2
Directors' fees[1]	**158**	141
Legal and professional fees	**61**	82
Marketing expenses	**101**	100
Printing and publication expenses	**64**	61
Registrars' fees	**21**	24
Sundry other expenses	**14**	13
Fees payable to the Company's Independent Auditor for the audit of the annual financial statements	**29**	24
	600	555

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

6 Finance Costs

	Year ended 31.12.19 £'000	Year ended 31.12.18 £'000
Interest paid on long CFDs	**86**	141
Interest on bank overdrafts	**7**	2
	93	143

Notes to the Financial Statements continued

7 Taxation on Return/(Loss) on Ordinary Activities

	Year ended 31.12.19 £'000	Year ended 31.12.18 £'000
a) Analysis of taxation charge for the year		
Overseas taxation (see Note 7b)	**261**	255

b) Factors affecting the taxation charge for the year
The taxation charge for the year is lower than the standard rate of UK corporation tax for an investment trust company of 19.00% (2018: 19.00%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	Year ended 31.12.19 £'000	Year ended 31.12.18 £'000
Net return/(loss) on ordinary activities before taxation	**68,140**	(34,001)
Net return/(loss) on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19.00% (2018: 19.00%)	**12,947**	(6,460)
Effects of:		
Capital (gains)/losses not taxable[1]	**(12,759)**	6,508
Income not taxable	**(495)**	(479)
Expenses not deductible	**1**	–
Excess management expenses not utilised	**306**	431
Overseas taxation	**261**	255
Taxation charge for the year (see Note 7a)	**261**	255

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

c) Deferred taxation
A deferred taxation asset of £4,698,000 (2018: £4,424,000), in respect of excess expenses of £27,638,000 (2018: £26,025,000) has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

8 Return/(Loss) per Ordinary Share

	Year ended 31 December 2019			Year ended 31 December 2018		
	revenue	**capital**	**total**	revenue	capital	total
Return/(loss) per ordinary share	**0.29p**	**50.23p**	**50.52p**	(0.07p)	(25.22p)	(25.29p)

The returns/(losses) per ordinary share are based on respectively: the net revenue return on ordinary activities after taxation for the year of £397,000 (2018: net revenue loss £97,000); the net capital return on ordinary activities after taxation for the year of £67,482,000 (2018: net capital loss of £34,159,000) and the net total return on ordinary activities after taxation for the year of £67,879,000 (2018: net total loss of £34,256,000); and on 134,354,398 ordinary shares (2018: 135,439,468), being the weighted average number of ordinary shares held outside of Treasury during the year.

9 Investments

	2019 £'000	2018 £'000
Listed investments	**245,423**	185,987
Unlisted investments	**3,676**	–
Investments at fair value	**249,099**	185,987
Opening book cost	**171,050**	167,559
Opening investment holding gains	**14,937**	54,233
Opening fair value	**185,987**	221,792
Movements in the year		
Purchases at cost	**134,440**	149,012
Sales – proceeds	**(124,310)**	(157,365)
Sales – gains in the year	**11,081**	11,844
Movement in investment holding gains/(losses) in the year	**41,901**	(39,296)
Closing fair value	**249,099**	185,987
Closing book cost	**192,261**	171,050
Closing investment holding gains	**56,838**	14,937
Closing fair value	**249,099**	185,987

	Year ended 31.12.19 £'000	Year ended 31.12.18 £'000
Gains/(losses) on investments for the year		
Gains on sales of investments	**11,081**	11,844
Investment holding gains/(losses)	**41,901**	(39,296)
	52,982	(27,452)

Investment transaction costs

Transaction costs incurred in the acquisition and disposal of investments, which are included in the gains on sales of investments above, were as follows:

	Year ended 31.12.19 £'000	Year ended 31.12.18 £'000
Purchases transaction costs	**52**	61
Sales transaction costs	**55**	70
	107	131

The portfolio turnover rate for the year was 68.7% (2018: 63.7%).

Notes to the Financial Statements continued

10 Derivative Instruments

	Year ended 31.12.19 £'000	Year ended 31.12.18 £'000
Gains/(losses) on derivative instruments		
Gains on long CFD positions closed	**5,922**	54
Movement in investment holding gains/(losses) on long CFDs	**8,233**	(6,927)
	14,155	(6,873)

Derivative instruments recognised on the Balance Sheet

	2019		2018	
	fair value £'000	**portfolio exposure £'000**	fair value £'000	portfolio exposure £'000
Derivative instrument assets – long CFDs	**3,048**	**39,975**	269	6,789
Derivative instrument liabilities – long CFDs	**(1,075)**	**6,286**	(6,529)	23,226
	1,973	**46,261**	(6,260)	30,015

11 Debtors

	2019 £'000	2018 £'000
Securities sold for future settlement	**621**	3,010
Accrued income	**205**	167
Other debtors and prepayments	**73**	86
	899	3,263

12 Other Creditors

	2019 £'000	2018 £'000
Securities purchased for future settlement	**385**	1,138
Creditors and accruals	**291**	215
	676	1,353

13 Share Capital

	2019 number of shares	2019 £'000	2018 number of shares	2018 £'000
Issued, allotted and fully paid				
Ordinary shares of 25 pence each held outside Treasury				
Beginning of the year	**135,136,195**	**33,784**	135,606,695	33,902
Ordinary shares repurchased into Treasury	**(1,929,105)**	**(482)**	(470,500)	(118)
End of the year	**133,207,090**	**33,302**	135,136,195	33,784
Issued, allotted and fully paid				
Ordinary shares of 25 pence each held in Treasury*				
Beginning of the year	**1,025,500**	**257**	555,000	139
Ordinary shares repurchased into Treasury	**1,929,105**	**482**	470,500	118
End of the year	**2,954,605**	**739**	1,025,500	257
Total share capital		**34,041**		34,041

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

The Company repurchased 1,929,105 ordinary shares (2018: 470,500 shares) and held them in Treasury. The £2,918,000 (2018: £741,000) cost of repurchase was charged to the other reserve.

14 Reserves

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

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

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

The capital reserve represents realised gains and losses on investments and derivatives sold, unrealised increases and decreases in the fair value of investments and derivatives held and other income and costs recognised in the capital column of the Income Statement. It can be used to fund share repurchases and it is distributable by way of dividend. See Note 2(p) above for further details.

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

15 Net Asset Value per Ordinary Share

The net asset value per ordinary share is based on net assets of £252,491,000 (2018: £187,530,000) and on 133,207,090 (2018: 135,136,195) ordinary shares, being the number of ordinary shares of 25 pence each held outside of Treasury at the year 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.

Notes to the Financial Statements continued

16 Financial Instruments

Management of Risk

The Company's investment activities in pursuit of its objective involve certain inherent risks. The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the internal control process, identifies the risks that the Company faces. Principal risks identified are market, performance, economic, geopolitical and natural disasters, key person, discount control, gearing, currency, cybercrime and pandemic risks. Other risks identified are tax and regulatory and operational risks, including those relating to third party service providers covering investment management, marketing and business development, company secretarial, fund administration and operations and support functions. Risks are identified and graded in this process, together with steps taken in mitigation, and are updated and reviewed on an ongoing basis. These risks and how they are identified, evaluated and managed are shown in the Strategic Report on pages 13 and 14.

This note refers to the identification, measurement and management of risks potentially affecting the value of financial instruments. The Company's financial instruments may comprise:

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

The risks identified arising from the Company's financial instruments are market price risk (which comprises interest rate risk, foreign currency risk and other price risk), liquidity risk, counterparty risk, credit risk and derivative instrument risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies are consistent with those followed last year.

MARKET PRICE RISK

Interest rate risk

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

Interest rate risk exposure

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

	2019 £'000	2018 £'000
Exposure to financial instruments that bear interest		
Long CFDs – portfolio exposure less fair value	**44,288**	36,275
Bank overdraft	**–**	1,718
	44,288	37,993
Exposure to financial instruments that earn interest		
Cash collateral held with brokers	**–**	7,611
Cash at bank	**1,196**	–
	1,196	7,611
Net exposure to financial instruments that bear interest	**43,092**	30,382

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16 Financial Instruments continued

Foreign currency risk

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

Three significant areas have been identified where foreign currency risk may impact the Company:

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

Currency exposure of financial assets

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

currency	investments held at fair value £'000	long exposure to derivative instruments £'000	debtors[1] £'000	cash at bank £'000	2019 total £'000
Japanese yen	**249,099**	**46,261**	**826**	**1,196**	**297,382**

1 Excludes other debtors and prepayments of £73,000 which are denominated in UK sterling.

currency	investments held at fair value £'000	long exposure to derivative instruments £'000	debtors[1] £'000	cash at bank £'000	2018 total £'000
Japanese yen	185,987	30,015	10,788	–	226,790

1 Debtors include cash collateral held with brokers and exclude other debtors and prepayments of £86,000 which are denominated in UK sterling.

Currency exposure of financial liabilities

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

currency	bank overdraft £'000	other creditors £'000	2019 total £'000
Japanese yen	**–**	**385**	**385**

currency	bank overdraft £'000	other creditors £'000	2018 total £'000
Japanese yen	1,718	1,138	2,856

Notes to the Financial Statements continued

16 Financial Instruments continued

Other price risk

Other price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Board meets at least quarterly to consider the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective. The Portfolio Manager is responsible for actively managing and monitoring the existing portfolio, selected in accordance with the overall asset allocation parameters described above, and seeks to ensure that individual stocks also meet an acceptable risk/reward profile.

Liquidity risk

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

Liquidity risk exposure

At 31 December 2019, the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £1,075,000 (2018: £6,529,000), bank overdraft of £nil (2018: £1,718,000) and other creditors of £676,000 (2018: £1,353,000).

Counterparty risk

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

Cash collateral

For derivative transactions, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 December 2019, £1,578,000 (2018: £nil) was held by UBS AG in cash denominated in Japanese yen in a segregated collateral account on behalf of the Company, to reduce the credit risk exposure of the Company's net unrealised profits on derivative positions. At 31 December 2019, no collateral amounts were held by the Company on behalf of the broker, UBS AG, (2018: UBS AG £7,611,000 in cash denominated in Japanese yen) as the Company had no net unrealised loss positions.

Credit risk

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

Derivative instruments risk

The risks and risk management processes which result from the use of long CFDs are included within the risk categories disclosed above. Long CFDs are used by the Manager to gain unfunded long exposure to equity markets, sectors or single stocks. Unfunded exposure is exposure gained without an initial outflow of capital. The risk and performance contribution of long CFDs held in the Company's portfolio is overseen by the Manager's experienced, specialist derivative instruments team that uses portfolio risk assessment and construction tools to manage risk and investment performance.

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at 31 December 2019, an increase of 0.25% in interest rates throughout the year, with all other variables held constant, would have decreased the return on ordinary activities after taxation for the year and decreased the net assets of the Company by £108,000 (2018: increased the net loss and decreased the net assets by £75,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

16 Financial Instruments continued

Foreign currency risk sensitivity analysis

Based on the financial instruments held and currency exchange rates at 31 December 2019, a 10% strengthening of the sterling exchange rate against the yen, with all other variables held constant, would have decreased the Company's net return on ordinary activities after taxation for the year and decreased the Company's net assets by £26,999,000 (2018: increased the net loss and decreased the net assets by £20,357,000). A 10% weakening of the sterling exchange rate against the yen would have increased the Company's net return on ordinary activities after taxation for the year and increased the Company's net assets by £32,999,000 (2018: decreased the net loss and increased the net assets by £24,881,000).

Other price risk – exposure to investments risk sensitivity analysis

Based on the investments held and share prices at 31 December 2019, an increase of 10% in share prices, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £24,910,000 (2018: decreased the net loss and increased the net assets by £18,599,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Other price risk – exposure to derivative instruments risk sensitivity analysis

Based on the long CFDs held and share prices at 31 December 2019, an increase of 10% in the share prices underlying the long CFDs, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £4,626,000 (2018: decreased the net loss and increased the net assets by £3,002,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Fair Value of Financial Assets and Liabilities

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

Fair Value Hierarchy

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

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

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. The valuation techniques used by the Company are explained in Notes 2 (j) and (k) above. The table below sets out the Company's fair value hierarchy:

Financial assets at fair value through profit or loss	level 1 £'000	level 2 £'000	level 3 £'000	2019 total £'000
Investments	245,423	–	3,676	249,099
Derivative instrument assets	–	3,048	–	3,048
	245,423	3,048	3,676	252,147
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	–	(1,075)	–	(1,075)

Notes to the Financial Statements continued

16 Financial Instruments continued

Financial assets at fair value through profit or loss	level 1 £'000	level 2 £'000	level 3 £'000	2018 total £'000
Investments	185,987	–	–	185,987
Derivative instrument assets	–	269	–	269
	185,987	269	–	186,256

Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	–	(6,529)	–	(6,529)

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

	Year ended 31.12.19 level 3 £'000	Year ended 31.12.18 level 3 £'000
Beginning of the year	**–**	906
Transfer out of Level 3 – Raksul[1]	**–**	(906)
Purchases at cost	**3,856**	–
Foreign exchange movement	**(180)**	–
End of the year	**3,676**	–

1 Raksul was transferred out of level 3 in 2018 when the Company was listed.

Coconala
Coconala operates a website to buy and sell knowledge, skills and experience from users who are willing to teach in Japan and is an unlisted company. The valuation on 31 December 2019 is based on the cost of the investment when it was purchased in July 2019. As at 31 December 2019, its fair value was £2,774,000.

Innophys
Innophys develops elderly-care and welfare equipment designed to be used as an exoskeleton for physical support in Japan and is an unlisted company. The valuation on 31 December 2019 is based on the cost of the investment when it was purchased in December 2019. As at 31 December 2019, its fair value was £902,000.

17 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 in the Balance Sheet on page 45, 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 objective, both of which are detailed in the Strategic Report on page 11. The principal risks and their management are disclosed in the Strategic Report on pages 12 to 14 and in Note 16 above.

17 Capital Resources and Gearing continued

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

	2019 portfolio exposure £'000	2018 portfolio exposure £'000
Investments	**249,099**	185,987
Long CFDs	**46,261**	30,015
Total Portfolio Exposure	**295,360**	216,002
Shareholders' Funds	**252,491**	187,530
Gearing[1]	**17.0%**	15.2%

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

18 Transactions with the Manager and Related Parties

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management and the role of company secretary to FIL Investments International ("FII"), the Investment Manager. Both companies are Fidelity group companies. Details of the fee arrangements are given in the Directors' Report on page 24 and in Note 4 above. During the year, fees for portfolio management services of £1,226,000 (2018: £1,843,000) and secretarial and administration fees of £50,000 (2018: £47,000) were payable to FII. At the Balance Sheet date, fees for portfolio management services of £160,000 (2018: £84,000) and secretarial and administration fees of £13,000 (2018: £12,000) were accrued and included in other creditors. FII also provides the Company with marketing services. The total amount payable for these services during the year was £101,000 (2018: £100,000). At the Balance Sheet date, £11,000 (2018: £17,000) for marketing services was accrued and included in other creditors.

Disclosures of the Directors' interests in the ordinary shares of the Company and Directors' fees and taxable expenses relating to reasonable travel expenses paid to the Directors are given in the Directors' Remuneration Report on pages 32 and 33. In addition to the fees and taxable expenses disclosed in the Directors' Remuneration Report, £15,000 (2018: £14,000) of Employers' National Insurance Contributions was also paid by the Company. As at 31 December 2019, Directors' fees of £14,000 were accrued and payable.

19. Post Balance Sheet Event

The Board has considered the risks arising from the Coronavirus (COVID-19) pandemic as part of its process to approve the Company's Financial Statements and the Going Concern Statement in the Directors' Report on page 24, concluding that the impact of COVID-19 on the Company's business performance and operations is a non-adjusting post balance sheet event. The Board has taken into account the recent share price volatility and further information is provided in the Chairman's Statement on page 4, the Portfolio Manager's Review on page 7 and in the Principal Risks on page 14. As at 6 April 2020, the Company's published net asset value per ordinary share was 143.43 pence, and the share price was 126.50 pence.

Alternative Performance Measures

Total Return
Total return is considered to be an alternative performance measure (as defined in the Glossary of Terms on page 68).

The tables below provide information relating to the NAVs and share prices of the Company and the total returns for the years ended 31 December 2019 and 31 December 2018.

2019	**Net asset value per ordinary share**	**Share price**
31 December 2018	**138.77p**	**127.00p**
31 December 2019	**189.55p**	**177.00p**
Total return for the year	**+36.6%**	**+39.4%**

2018	Net asset value per ordinary share	Share price
31 December 2017	164.10p	151.50p
31 December 2018	138.77p	127.00p
Total return for the year	-15.4%	-16.2%

Ongoing charges
Ongoing charges are considered to be an alternative performance measure. The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and other expenses expressed as a percentage of the average net asset values throughout the year.

	2019	2018
Investment management fees (£'000)	**1,555**	1,939
Other expenses (£'000)	**600**	555
Ongoing charges (£'000)	**2,155**	2,494
Variable management fee (£'000)	**(329)**	(96)
Average net assets (£'000)	**222,332**	227,732
Ongoing charges ratio	**0.98%**	1.10%
Ongoing charges ratio including variable management fee	**0.83%**	1.06%

Gearing
Gearing is considered to be an alternative performance measure. See Note 17 on page 59 for details of the Company's gearing.

Financial Calendar

The key dates in the Company's calendar are:

31 December 2019	Financial Year End
April 2020	Announcement of the annual results for the year ended 31 December 2019
April 2020	Publication of this Report
19 May 2020	Annual General Meeting
30 June 2020	Half-Year End
July/August 2020	Announcement of the Half-Yearly results for the six months to 30 June 2020
August 2020	Publication of the Half-Yearly Report

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity Japan Trust PLC will be held at **Flat 2, Fidelity International, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent, TN11 9DZ** on Tuesday, 19 May 2020 at 10.00 am for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2019.

2. To re-elect Mr David Robins as a Director.

3. To re-elect Mr David Graham as a Director.

4. To re-elect Mr Philip Kay as a Director.

5. To re-elect Ms Sarah MacAulay as a Director.

6. To re-elect Mr Dominic Ziegler as a Director.

7. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 31) for the year ended 31 December 2019.

8. To approve the Remuneration Policy as stated in the Directors' Remuneration Report on page 31.

9. To reappoint Ernst & Young LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company.

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

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

Authority to Allot Shares and Disapply Pre-Emption Rights

Resolutions 11 and 12 will, if approved, authorise the Directors to allot a limited number of ordinary shares (or to sell any ordinary shares which the Company elects to hold in Treasury) for cash without first offering such shares to existing ordinary shareholders pro-rata to their existing holdings. The limit set by the Board is 5% of the number of ordinary shares of the Company (including Treasury shares) in issue on 7 April 2020. The Directors will only issue new ordinary shares, or dispose of ordinary shares held in Treasury, under this authority to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so. Any ordinary shares held in Treasury would only be re-issued at net asset value ("NAV") per share or at a premium to NAV per share. This would ensure that the net effect of repurchasing and then re-issuing the ordinary shares would enhance NAV per share.

11. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any securities into shares in the Company ("relevant securities") up to an aggregate nominal amount of £1,702,021 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 7 April 2020) and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authority to expire at the conclusion of the next Annual General Meeting ("AGM") of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired. All previous unexpired authorities are revoked, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

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

    a) to the allotment of equity securities or sale of Treasury shares up to an aggregate nominal amount of £1,702,021 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 7 April 2020); and

    b) by the condition that allotments of equity securities or sales of Treasury shares may only be made pursuant to this authority at a price of not less than the NAV per share,

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

Authority to Repurchase Shares

Resolution 13 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of ordinary shares in issue (excluding Treasury shares) on 7 April 2020 either for immediate cancellation or for retention as Treasury shares, at the determination of the Board. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases of ordinary shares will be at the discretion of the Directors and within guidelines set by them from time-to-time in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share, thereby resulting in an increased NAV per share.

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

    a) the maximum number of shares hereby authorised to be purchased shall be 19,870,042;

    b) the minimum price which may be paid for a share is 25 pence;

    c) the maximum price (excluding expenses) which may be paid for each share is the higher of:

        i) an amount equal to 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the share is purchased; and

        ii) the amount stipulated by Regulatory Technical Standards adopted by the European Commission pursuant to Article 5(6) of the Market Abuse Regulation (EU) No. 596/2014;

    d) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company unless such authority is renewed prior to such time; and

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

By Order of the Board
FIL Investments International
Secretary
7 April 2020

Notwithstanding the legality of the rights assigned to members set out below, please note that as at the date of this report, the Stay at Home Measures dictate that gatherings of more than two people are not permitted. For further information, please see page 4 of this Annual Report.

Notes to the Notice of Meeting:

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. To appoint a proxy via the share portal at **www.signalshares.com**, you will need to log into your share portal account or register if you have not previously done so. To register you will need your Investor Code which can be found on your share certificate or dividend confirmation or by contacting our Registrar, Link Asset Services.

2. A Form of Proxy is enclosed and must be returned to the Registrar at the address on the form to arrive not later than 10:00 on Friday, 15 May 2020. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if they so wish.

3. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrar, Link Asset Services, PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not less than 48 hours before the time for holding the meeting or adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for the taking of the poll at which it is to be used.

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

5. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 10:00 on Friday, 15 May 2020. 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,

Notice of Meeting continued

limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrar no later than 10:00 on Friday, 15 May 2020.

6. All members are entitled to attend and vote at the AGM and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at close of business on Friday, 15 May 2020.

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

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

9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the AGM (and for the purpose of determining the number of votes they may cast), members must be entered on the Register of Members by close of business on Friday, 15 May 2020. If the meeting is adjourned then, to be so entitled, members must be entered on the Register of Members by close of business on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.

10. As at 7 April 2020 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 136,161,695 ordinary shares. The number of shares held in Treasury by the Company was 3,606,374. Therefore, the total number of shares with voting rights in the Company as at 7 April 2020 was 132,555,321.

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

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

13. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that is to be laid before the AGM or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the Annual Report and Financial Statements were laid. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with such requests. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.

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

15. A copy of this notice and other information required by Section 311A of the Companies Act 2006 is published on the Company's website at **www.fidelityinvestmenttrusts.com**.

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

Shareholder Information

Investing in Fidelity Japan Trust PLC
Fidelity Japan Trust PLC is a company listed on the London Stock Exchange and you can buy its shares through a platform, stockbroker, share shop or bank. Fidelity also offers a range of options, so that you can invest in a way that is best for you. Details of how to invest and the latest Key Information Document can be found on Fidelity's website at **www.fidelityinvestmenttrusts.com**

CONTACT INFORMATION
Shareholders and Fidelity Platform Investors should contact the appropriate administrator using the contact details given below and in the next column. Links to the websites of major platforms can be found online at **www.fidelityinvestmenttrusts.com**

Shareholders on the main share register
Contact Link Asset Services, Registrar to Fidelity Japan Trust PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Email: **enquiries@linkgroup.co.uk**

Telephone: **0371 664 0300** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

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

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

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

Should you have any queries in respect of the Link Share Portal, contact the helpline on **0371 664 0391** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

Link Share Dealing Service
Link Asset Services offer a low cost share dealing service to buy or sell shares. Further information is available at **www.linksharedeal.com**, or by telephoning **0371 664 0445** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 8:00 -16:30, Monday to Friday excluding public holidays in England and Wales). The Link Share Dealing Services allows you to deal in the shares of other companies for which Link Asset Services acts as Registrar, provided you are already a shareholder in the relevant company, and that company offers the Share Deal facility to its shareholders.

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

Website: **www.fidelity.co.uk/its**

Private investors: call free on **0800 41 41 10**, 9:00 – 18:00, Monday to Saturday.

Financial advisers: call free on **0800 41 41 81**, 8:00 – 18:00, Monday to Friday.

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

Telephone: **01737 837846**

Email: **investmenttrusts@fil.com**

Website: **www.fidelityinvestmenttrusts.com**

If you hold Fidelity Japan Trust PLC shares in an account provided by Fidelity International, you will receive a report every six months detailing all of your transactions and the value of your shares.

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

Shareholder Information continued

Managers and Advisors

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

Investment Manager, Secretary and Registered Office
FIL Investments International
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP
Email: **investmenttrusts@fil.com**

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

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

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

Independent Auditor
Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Lawyer
Charles Russell Speechlys LLP
5 Fleet Place
London
EC4M 7RD

Registrar
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

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

The Company is a member of the Association of Investment Companies ("AIC") from whom general information on investment trusts can be obtained by telephoning **020 7282 5555** (email: **enquiries@theaic.co.uk**).

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

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

Net Asset Value ("NAV") Information
The NAV of the Company is calculated on a daily basis and released to the London Stock Exchange on a daily basis.

Capital Gains Tax
All UK individuals under present legislation are permitted to have £12,000 of capital gains in the current tax year 2019/2020 (2018/2019: £11,700) before being liable for capital gains tax. Capital gains tax is charged at 10% and 20% dependent on the total amount of taxable income.

General Data Protection Regulation ("GDPR")

What personal data is collected and how it is used

The Company is an investment trust which is a public limited company and has certain regulatory obligations such as the requirement to send documents to its shareholders, for example, the Annual Report and other documents that relate to meetings of the Company. The Company will therefore collect shareholders' personal data such as names, addresses and identification numbers or investor codes and will use this personal data to fulfil its statutory obligations.

Any personal data collected will be kept securely on computer systems and in some circumstances on paper. Personal information is kept secure in line with Fidelity's Information Security policies and standards. If you are unhappy with how we have used your personal data, you can complain by contacting the UK Data Protection Officer at Fidelity International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP.

Sharing personal data

In order to assist the Company in meeting its statutory requirements, the Company delegates certain duties around the processing of this data to its third party service providers, such as the Company's Registrar and Printers. The Company has appointed Fidelity to undertake marketing activities for the Company and their privacy statement can be found on the Company website at **https://investment-trusts.fidelity.co.uk/privacy-policy/**

The Company's agreements with the third party service providers have been updated to be compliant with GDPR requirements. The Company confirms to its shareholders that their data will not be shared with any third party for any other purpose, such as for marketing purposes. In some circumstances, it may be necessary to transfer shareholders' personal data across national borders to Fidelity Group entities operating in the European Economic Area ("EEA"). Where this does occur, the European standard of protections will be applied to the personal data that is processed. Where personal data is transferred within the Fidelity Group, but outside of the EEA, that data will subsequently receive the same degree of protection as it would in the EEA.

How long will personal data be kept for?

We will keep the personal data for as long as is necessary for these purposes and no longer than we are legally permitted to do so.

Requesting access, making changes to your personal data and other important information

Shareholders can access the information that the Company holds about them or ask for it to be corrected or deleted by contacting Fidelity's UK Data Protection Officer, Fidelity International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Glossary of Terms

AAF Report
A report prepared in accordance with the Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales.

AIF
Alternative Investment Fund (AIF). The Company is an AIF.

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

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

Alternative Performance Measures
The Company uses the following Alternative Performance Measures which are all defined in this Glossary of Terms:

- Discount/Premium;
- Gearing;
- Ongoing Charges;
- Revenue, Capital and Total Returns; and
- Total Return Performance (Net Asset Value Total Return or Share Price Total Return)

Capital Gains Tax (CGT)
The tax you may have to pay if you sell your shares at a profit.

Collateral
Asset provided as security for the unrealised gain or loss under a contract for difference.

Contract for Difference (CFD)
A contract for difference is a derivative. It is a contract between the Company and an investment bank at the end of which the parties exchange the difference between the opening price and the closing price of an underlying asset of the specified financial instrument. It does not involve the Company buying or selling the underlying asset, only agreeing to receive or pay the movement in its share price. A contract for difference allows the Company to gain access to the movement in the share price by depositing a small amount of cash known as margin. The Company may reason that the asset price will rise, by buying ("long" position) or fall, by selling ("short" position). If the Company trades long, dividends are received and interest is paid. If the Company trades short, dividends are paid and interest is received. The Company only uses "long" contracts for difference.

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

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

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

Derivatives
Financial instruments (such as futures, options and contracts for difference) whose value is derived from the value of an underlying asset.

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

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

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

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

Gearing Percentage
In a simple example, if the Company has £100 million of net assets and £8 million of borrowings (either via bank loans or long contracts for difference), then the shareholders' funds are 8% geared. Normally, the higher the gearing percentage, the more sensitive the Company's shares will be to the movements up and down in the value of the investment portfolio.

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

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

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

Net Asset Value per Ordinary Share – Undiluted
The net asset value divided by the number of ordinary shares in issue.

Net Asset Value per Ordinary Share – Diluted
The net asset value per ordinary share – undiluted adjusted to reflect what the net asset value per share would have been if the rights attached to any outstanding subscription shares or warrants in issue had been exercised. A dilution occurs when the exercise price of the subscription share rights or warrants is less than the net asset value per ordinary share – undiluted. The Company has no outstanding subscription shares or warrants at the date of this report.

Ongoing Charges
Total operating expenses (excluding finance costs and taxation) incurred by the Company as a percentage of daily average net asset values for the reporting year.

Portfolio Turnover Rate
Portfolio turnover is a measure of how frequently assets within the Company are bought and sold by the Portfolio Manager. It is calculated by taking the aggregate value of purchases and sales over a 12 month period divided by two, and dividing this amount by the average total exposure of the Company over that year. The average total exposure is the fixed asset investments plus the exposure of the underlying securities within the contracts for difference.

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

Premium
If the share price of the Company is higher than the net asset value per share, the Company is said to be trading at a premium. The premium is shown as a percentage of the net asset value per ordinary share.

Reference Index
TOPIX Total Return Index (in sterling terms). Prior to 22 May 2018 it was the Russell Nomura Mid/Small Cap Index (in sterling terms).

Registrar
An entity that manages the Company's shareholders register. The Company's Registrar is Link Asset Services.

Return/(Loss)
The return/(loss) generated in the period from the investments:

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

Share Repurchases
A popular way for investment trust companies to return cash to their shareholders is through offering to repurchase a proportion of shares currently held. The Company seeks the permission of shareholders to do so at its Annual General Meetings allowing it to repurchase a proportion of their total shares (up to 14.99%) in the market at prices below the prevailing net asset value per share. This process is also used to enhance the net asset value per share and to reduce the discount to net asset value per share.

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

Total Portfolio Exposure
The total of fixed asset investments at fair value plus the fair value of the underlying securities within the contracts for difference.

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

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

Alternative Investment Fund Manager's Disclosure

In compliance with the Alternative Investment Fund Manager's Directive ("AIFMD"), the Board has appointed FIL Investment Services (UK) Limited ("FISL") (a Fidelity group company) as the Company's Alternative Investment Fund Manager ("AIFM"). FISL has delegated the portfolio management and company secretarial function to FIL Investments International (another Fidelity group company). Details of the Management Agreement can be found in the Directors' Report on page 24.

The table below and on the next page discloses information required by the Alternative Investment Fund Manager's Regulations 2013.

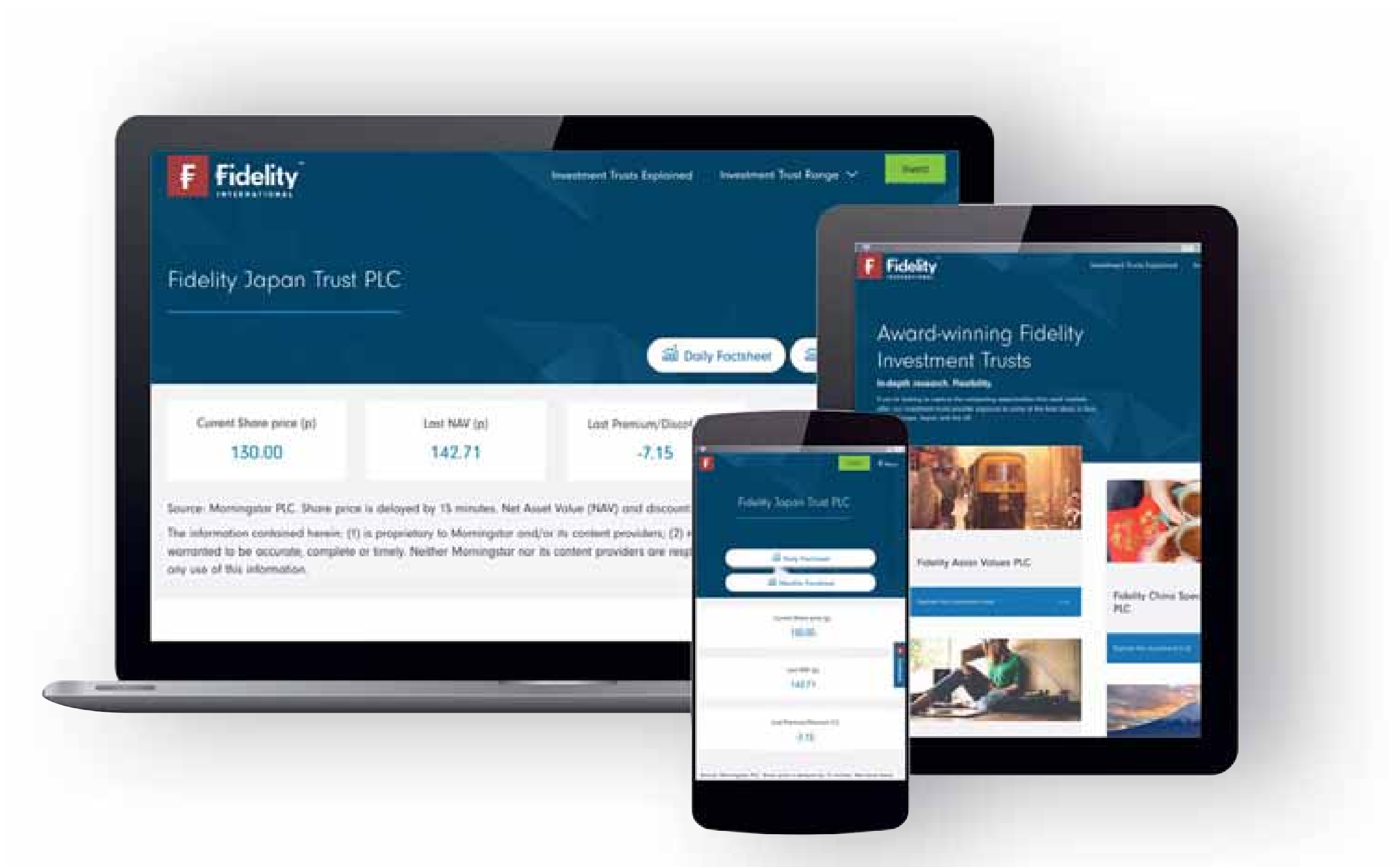
Function	AIFM Role and Responsibility	AIFMD Disclosure
Investment management	The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company. It has delegated this function to FIL Investments International. The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.	Details of the Company's investment objective, strategy and investment policy, including limits, are on pages 11 and 12.
Risk management	The AIFM has a responsibility for risk management for the Company which is in addition to the Board's corporate governance responsibility for risk management. The Company has a Risk Management Process Document which is agreed with the Board and demonstrates that risk management is separated functionally and hierarchically from operating units and demonstrates independent safeguards. The Manager maintains adequate risk management systems in order to identify, measure and monitor all risks at least annually under the AIFMD. The Manager is responsible for the implementation of various risk activities such as risk systems, risk profile, risk limits and testing. The Board, as part of UK corporate governance, remains responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.	The AIFM has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company and this is regularly reviewed by the Board. The Board remains responsible for the Company's system of risk management and internal control, and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 12 to 14 and in Note 16 to the Financial Statements on pages 54 to 58.
Valuation of illiquid assets	The Directive requires the disclosure of the percentage of the Alternative Investment Fund's assets which are subject to special arrangements arising from their illiquid nature and any new arrangements for managing the liquidity of the Company.	Not Applicable.

Function	AIFM Role and Responsibility	AIFMD Disclosure
Leverage	The Company uses leverage to increase its exposure primarily to Japanese stockmarkets and currently holds derivatives to achieve this. The AIFM has set maximum levels of leverage that are reasonable. It has implemented systems to calculate and monitor compliance against these limits and has ensured that the limits have been complied with at all times. There are two methods of calculating leverage – the Gross Method which does not reduce exposure for hedging; and the Commitment Method which does reduce exposure for hedging	The maximum leverage limits are 1.80 for the Gross Method of calculating leverage and 1.50 for the Commitment Method. At 31 December 2019, leverage for the Gross Method was 1.18 and for the Commitment Method was 1.18.
Liquidity management	The AIFM, in consultation with the Board, maintains a liquidity management policy which is considered at least annually.	No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 16 on page 56.
Remuneration of the AIFM	The AIFM operates under the terms of Fidelity International's Global Remuneration Policy. This ensures that the AIFM complies with the requirements of the FCA's Remuneration Code (SYSC19A); the AIFM Remuneration Code (SYSC19B) and the BIPRU Remuneration Code (SYSC19C).	Details of Fidelity International's Global Reumeration Policy can be found at **www.fidelityinternational.com/global/remuneration/default.page**

EU Securities Financing Transactions Regulation ("SFTR")

The following disclosure relates to the long contracts for difference ("CFDs") held by the Company which may be considered Total Return Swaps under the SFTR, which came into force on 12 January 2016. CFDs were contracted bilaterally with UBS AG (UK) and had an open maturity.

As at 31 December 2019, the fair value of the CFDs was a gain of £1,973,000 which represented 0.78% of net assets. Collateral of £1,578,000 was held by UBS AG (UK) in a segregated account on behalf of the Company. Collateral was held in cash denominated in yen maturing in one day. The total return for the year ended 31 December 2019 from CFDs was a gain of £14,368,000.



To find out more about Fidelity Japan trust, visit our new website **www.fidelityinvestmenttrusts.com** where you can read articles and watch videos on the Company.

www.fidelityinvestmenttrusts.com

Printed on FSC® certified paper.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and on average 99% of any waste associated with this production will be recycled.

The FSC® logo identifies products which contain wood from well-managed forests certified in accordance with the rules of the Forest Stewardship Council®.

This document is printed on Cocoon Silk; a paper made using 50% recycled fibre from genuine waste paper and 50% virgin fibre.

The unavoidable carbon emissions generated during the manufacture and delivery of this document have been reduced to net zero through a verified carbon offsetting project.

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