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FIDELITY JAPAN TRUST PLC

Annual Report for the year ended 31 December 2020

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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.

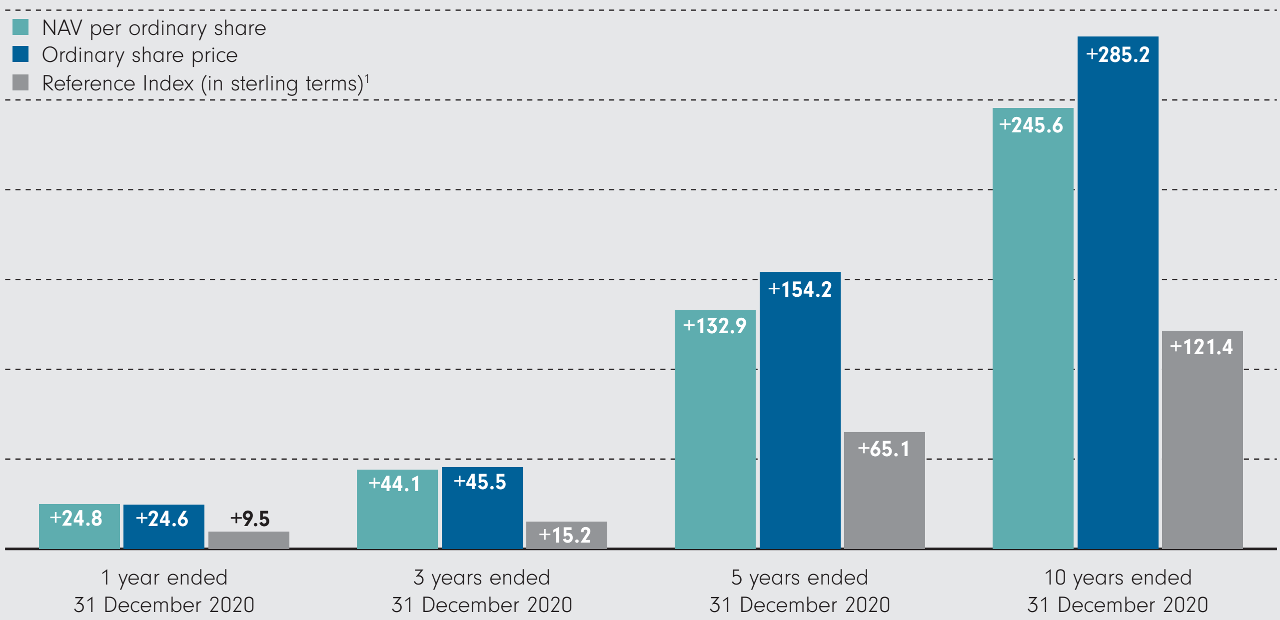
Around 90% of Japanese small and mid-sized companies get little or no analyst coverage. As under-researched companies are more likely to be undervalued, this presents an opportunity.

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.

Money Observer Rated Fund 2020
Fidelity Japan IT
Japanese Equities

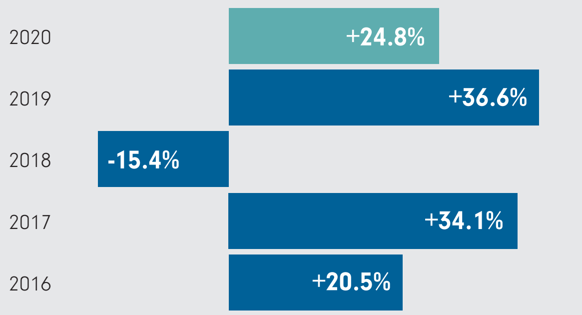
At a Glance

Standardised Performance Total Return (%)

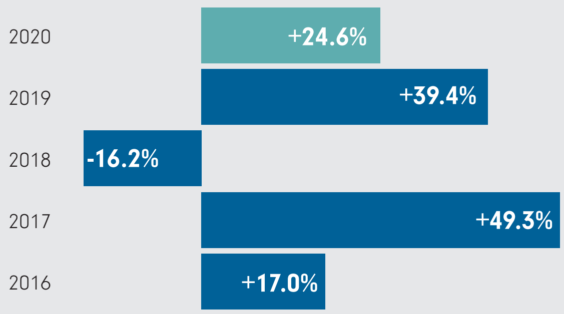


Sources: Fidelity and Datastream.
Past performance is not a guide to future returns.

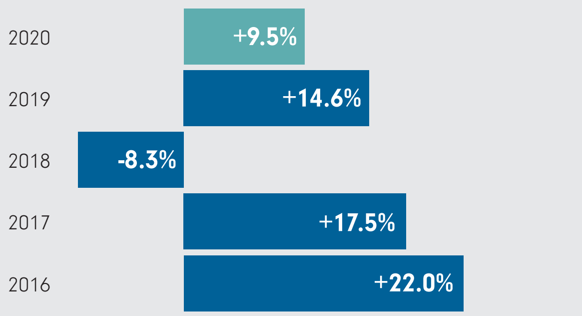
Net Asset Value per Ordinary Share total return
Year ended 31 December[2]



Ordinary Share Price total return
Year ended 31 December[2]



Reference Index (in sterling terms)
Year ended 31 December



1 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).
2 Alternative Performance Measures. See page 67.

Summary of Results

	2020	2019
Assets at 31 December		
Total portfolio exposure[1]	**£381.3m**	£295.4m
Shareholders' funds	**£308.8m**	£252.5m
Total portfolio exposure in excess of shareholders' funds (Gearing – see page 13)[2]	**23.5%**	17.0%
Net Asset Value ("NAV") per ordinary share[2]	**236.53p**	189.55p
Share Price and Discount data at 31 December		
Ordinary share price at the year end	**220.50p**	177.00p
year high	**227.00p**	178.50p
year low	**107.00p**	126.00p
Discount at the year end[2]	**6.8%**	6.6%
year high	**20.2%**	13.8%
year low	**1.6%**	5.7%
Results for the year to 31 December – see page 50		
Revenue return per ordinary share[2]	**1.56p**	0.29p
Capital return per ordinary share[2]	**44.53p**	50.23p
Total return per ordinary share[2]	**46.09p**	50.52p
Ongoing charges for the year to 31 December[2, 3]	**0.94%**	0.98%
Variable management fee charge/(credit)	**0.10%**	(0.15%)
Ongoing charges including variable management fee for the year to 31 December	**1.04%**	0.83%

1 The total exposure of the investment portfolio, including exposure to the investments underlying the long contracts for difference. See page 13.
2 Alternative Performance Measures.
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 76.

As at 31 December 2020

Shareholders' Funds

£308.8m

Market Capitalisation

£287.9m

Capital Structure

Ordinary Shares of 25 pence held outside Treasury

130,554,926

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).

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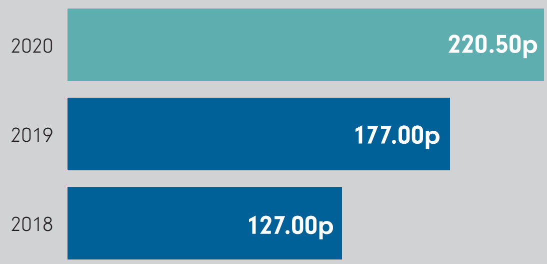
Ordinary Share Price as at 31 December



Ten Year Record

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Chairman's Statement

I am pleased to present the Annual Report of Fidelity Japan Trust PLC for the year ended 31 December 2020.

David Robins, Chairman

£308.8m
(As at 31 December 2020)
Shareholders' Funds

+24.8%
(Year ended 31 December 2020)
Net Asset Value per Ordinary Share total return

+24.6%
(Year ended 31 December 2020)
Ordinary Share Price total return

Performance Review

In a period of extraordinary global turmoil precipitated by the coronavirus pandemic, the Japanese equity market experienced both the biggest drawdown and sharpest recovery of recent decades. Key indices entered bear territory in early March 2020, as risk assets were sold off globally on fears over the social and economic costs of the virus. However, a swift response from governments and central banks provided significant fiscal and monetary stimulus, spurring a recovery in financial markets. The intermittent reopening of economies, coupled with positive vaccine developments, accelerated the recovery. The rally saw key indices in Japan reach multi-decade highs towards the end of the year, though the uptrend was relatively narrow, led by mid-to-large cap companies across the technology, communications and health care sectors. Smaller companies and traditional value sectors lagged the broader market.

I'm pleased to report that, despite the Company's share price falling nearly 40% by 23 March 2020, the performance over the full year was excellent, both relative to peers and on an absolute returns basis. The NAV per share rose by 24.8% in sterling terms and the share price by 24.6%, significantly outperforming the Reference Index, which returned 9.5%. The discount held steady over the year, closing at 6.8%, despite the turbulent first half of 2020. As the Company's Portfolio Manager, Nicholas Price, notes in his review, the Company continues to lead its peers in performance over a five-year horizon.

Discount Management, Share Repurchases and Treasury Shares

Over the reporting year, the Company's shares traded between a discount of 1.6% and 20.2%. It widened very slightly from 6.6% at the start of the year to 6.8% as at 31 December 2020 but remained in line with the Company's discount management policy of maintaining the discount in single digits in normal market conditions, as set out in the 2019 Report and Accounts.

In the reporting year, 2,652,164 ordinary shares were repurchased for holding in Treasury, keeping the discount stable as at 31 December 2020. This represented 1.9% of the issued share capital. Since the year end and up to 26 March 2021, the Company has repurchased a further 223,032 ordinary shares into Treasury.

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.

Coconala IPO

I am delighted to confirm that on 19 March 2021, online consumer to consumer (C2C) platform, Coconala, listed on the Tokyo Stock Exchange following a successful initial public offering. As a result, the valuation increased by 351% from £3,164,000 as at 31 December 2020 to £14,269,000. If the increase in value had been applied at 31 December 2020, the net assets of the Company would have increased by 3.6%.

Appointment of an Assistant Portfolio Manager

With effect from 1 September 2020, the Board agreed with Fidelity to appoint Cenk Simsek as Assistant Portfolio Manager to work alongside Nicholas. Introducing assistant and co-portfolio managers is a key part of Fidelity's ongoing investment innovation and equity strategy programmes.

Shareholder Movements

As reported in last year's Annual Report, it is pleasing to note a continuing trend in shareholder activity in recent years as demonstrated in the table below. The Company's performance continues to be strong and we have seen increased activity by wealth managers, investment platforms and retail investors in accumulating the Company's shares since 2017. This has led to a rise in the holdings of these investors from 32% to 50% in the Company's shares, whilst institutional shareholdings have declined from 68% to 50%.

	Q4 2017	Q4 2018	Q4 2019	Q4 2020
Adviser Based	3%	4%	4%	5%
Institutional Investors	68%	58%	54%	50%
Platforms	15%	18%	20%	22%
Wealth Managers	14%	20%	22%	23%
Total	**100%**	**100%**	**100%**	**100%**

Allocation of Fees

With effect from 1 January 2020, the Board elected to charge 80% of base management fees and finance costs to capital and 20% to revenue, thereby reflecting the Company's focus on capital growth to generate returns. Prior to this, the practice was to charge these costs in their entirety to revenue. The change is a matter of judgement and the result of the Board reviewing its policy on the allocation of fees. Shareholders should note that while the new allocation of costs may lead to Revenue Reserve surpluses, which, over time should gradually reduce the Revenue Reserve deficit, the possible future payment of dividends was not a major consideration in adopting the change.

Charges

The ongoing charge for the reporting year was 0.94% (2019: 0.98%). The variable element of the management fee was a charge of 0.10% (2019: credit of 0.15%) due to the Company's outperformance against its Reference Index. Therefore, the total charge, including the variable element, was 1.04% (2019: 0.83%).

Gearing

The Company continues to gear the portfolio through the use of long contracts for difference ("CFDs"). Throughout the course of the year, the Board supported the Portfolio Manager in taking a dynamic approach to gearing in order to take advantage of market movements to the benefit of the Company's performance. The Portfolio Manager has the discretion to be up to 25% geared. However, with the Board's approval, gearing at one point in the reporting period was increased to 27.5% in order to take advantage of the attractive opportunities available in the market.

Total portfolio exposure at the end of the year was £381.3m, equating to gearing of 23.5% compared with 17.0% at the end of 2019. Further information can be found on page 13 of the Strategic Report. As at 24 March 2021, gearing was 24.4%.

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.

Virtual Due Diligence Trip 2021

Continuing travel restrictions from the pandemic prevented the Board from going to Japan again this year. However, the Board did conduct a number of virtual meetings with the Fidelity team and external market experts in Japan during the week commencing 8 March 2021. These sessions gave us great comfort as to the quality and depth of support Nicholas and the investment team receive. We were also struck by the operational resilience of the team during the ongoing pandemic and it is particularly commendable that Nicholas attended 402 purely virtual company meetings in 2020 compared to 310 meetings (a combination of actual and virtual) in 2019.

Succession Planning and Board Changes

The Board has a clearly defined succession plan in place. Philip Kay stepped down from the Board on 31 December 2020. I would like to take this opportunity to thank him on behalf of the Board and all of the Company's stakeholders for his contribution to the Board. He takes with him our very best wishes for the future.

I am pleased to welcome David Barron who joined the Board as a non-executive Director on 20 October 2020, allowing for a brief overlap period before Philip retired. David spent 25 years working in the investment management sector and was, until November 2019, Chief Executive Officer of Miton Group PLC following six years with the firm. Prior to this, he was Head of Investment Trusts at JP Morgan Asset Management for more than ten years and, until 2014, a Director of the Association of Investment Companies. He is currently Chairman of Dunedin Income Growth Investment Trust PLC and a non-executive Director of Premier Miton Group PLC. He is also a lay-member of the Council of Lancaster University. He is a Member of the Institute of Chartered Accountants of Scotland.

Sir Laurence Magnus stepped down from the Board as a non-executive Director and Chairman of the Audit Committee at the conclusion of the AGM on 19 May 2020. At the same time, David Graham took over as Chairman of the Audit Committee from Sir Laurence.

Having served ten years as a non-executive Director and nearly nine years as Chairman, I will be stepping down from the Board at the conclusion of the AGM on 18 May 2021. It is particularly pleasing to note that during my tenure on the Board and as at 31 December 2020, Shareholders' Funds have increased from £65m to £309m. Over the same period, the NAV has increased by 247.8% and the share price by 283.5%. This compares with a rise of 125.6% by the Reference Index. The discount has also significantly reduced from its peak of 18.2% in 2011 to 6.8% at the end of 2020. I have thoroughly enjoyed serving on your Board and would like to thank shareholders, my fellow Directors and the team at Fidelity for all the support I have been given. David Graham will succeed me as Chairman and will step down as Audit Committee Chairman at the same time. David Barron will take over as Chairman of the Audit Committee on 18 May 2021.

All Directors, with the exception of myself and David Barron, are subject to annual re-election at the AGM on 18 May 2021. David Barron being newly appointed, is subject to election at the AGM.

Chairman's Statement continued

Biographical details of the full Board are included on page 28 to assist shareholders when considering their voting at the AGM.

Environmental, Social and Governance (ESG) Investment
There continues to be increasing concern about climate change, leading to the growth of serious 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. Nicholas outlines Fidelity's approach to this important subject in his report and what this means for the Company's investment portfolio. The Fidelity group of companies (including the Manager) has embedded ESG factors in its investment decision making process including considerations relating to the reduction of carbon emissions by investee companies. Further details are on pages 23 and 24 to 27.

Changes to the Articles of Association
With the intention of providing the very best experience for shareholders and being mindful of potential future restrictions, the Board is proposing amendments to the Company's Articles of Association to enable the Company to hold 'hybrid' general meetings. 'Hybrid meetings' involve both the physical attendance by shareholders as well as by shareholders via electronic means. It is the current expectation of the Board that hybrid meetings would only be used where a solely 'physical meeting' is impracticable or unworkable. By changing the Company's Articles of Association, the Board will have the ability to determine whether an AGM or general meeting should be held as a 'physical meeting' or as a 'hybrid meeting'.

My fellow Directors and I greatly enjoy the opportunity to meet and exchange views with shareholders and a physical meeting will remain our default format as long as Government guidance permits it, but we are also keen to provide additional virtual facilities for those shareholders who may not, or are unable to, attend AGMs in person.

We have also taken the opportunity to update certain other provisions within the Articles of Association, including for example, removing mention of the subscription shares which were issued in 2014, retirement of Directors and regulatory restrictions and information. The principal changes proposed to the Articles of Association are set out in more detail in the Directors' report on pages 32 and 33. A full tracked version of all the changes proposed to the Articles of Association is available at **www.fidelity.co.uk/japan**.

Outlook
In broad terms we are cautiously optimistic about the investment outlook for Japanese stocks in 2021. The COVID-19 pandemic clearly poses near term risks, as new variants of the virus and rising infection rates across the globe push governments to extend or reimpose restrictions. However, the gradual roll out of vaccines and continued monetary and fiscal policy stimulus are positive for the outlook and should be supportive of Japanese equities. The Japanese market remains fairly valued in comparison with most other developed country markets and with the regeneration of growth in China and Asia generally, along with the expected recovery in the US, global conditions are positive. Against this backdrop, we expect the market to be in an earnings driven phase, with positive earnings surprises driving individual stocks rather than the multiple expansion that we saw in 2020.

David Robins
Chairman
26 March 2021

"A year in review with the Chairman and the Portfolio Manager" and Annual General Meeting
In light of the ongoing pandemic restrictions, it unfortunately seems unlikely that we will be able to revert to our usual large-scale in-person AGM format this year.

Clearly it is a legal requirement to have an AGM and given that current legal guidance is that the relaxation on the imperative for physical meetings will probably not be renewed in April 2021, we have considered various options, settling on the idea of a two-stage alternative solution.

We have dubbed the first stage "A year in review with the Chairman and the Portfolio Manager". This will comprise an hour-long series of online presentations and live Q&A with me and the Portfolio Manager. This event will take place virtually on 26 April 2021 at 9.30 am. We encourage all our investors to take this opportunity to ask questions and engage with the Company. We also feel that holding this event nearly three weeks before the formal AGM will allow shareholders sufficient time to consider how they wish to cast their votes before the voting deadline expires. Details will be made available nearer the time at **www.fidelity.co.uk/japan**. If anything changes then we will advise investors via the website.

The second stage will form the official, legal AGM and will take place on 18 May 2021 at 4.00 pm at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP. This meeting will be restricted to the formal business of the meeting as set out in the Notice of Meeting on pages 69 and 70 and voting on the resolutions therein. It is difficult to predict what Government restrictions will be in place by this time, but it is our intention to keep the attendance of the meeting as restricted as possible.

Protecting the health of all investors, workforce and officers must be paramount at the current time. We therefore 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), proxy forms are not provided, and you are advised to contact the company with which you hold your shares to determine alternative options (if available) for lodging your voting instructions.

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

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

How has the Company performed in the period under review? What were the key contributors and detractors?

Answer

As noted in the Chairman's Statement, the Company's NAV per share increased by 24.8% in sterling terms and the share price rose by 24.6% in 2020, significantly outperforming the Reference Index, which returned 9.5%. The discount marginally changed over the period, closing the year at 6.8%, despite experiencing periods of extreme volatility in the first half of 2020. The Company also performed well versus most of its AIC Japan peer group and remains the strongest performer over five years (as of 31 December 2020).

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

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

In the transportation equipment sector, the position in Shimano, a maker of bicycle components, was a top contributor to performance. The stock surged on strong global demand for its products, as more people turned to bikes in order to take exercise and to avoid public transportation amid the pandemic. Meanwhile, selected positions in e-commerce and software/online services companies, including Demae-can, Hennge and Z Holdings, did well thanks to the pandemic and the way it changed patterns of behaviour, including increased digitalisation

Conversely, Kotobuki Spirits, a confectionary supplier, and Kamakura Shinsho, an operator of funeral services, were among the most significant detractors from performance. These domestically oriented companies experienced a deep but temporary hit to earnings as the COVID-19 pandemic limited economic and social activity. However, both companies have strong balance sheets and command leading market positions. I expect them to come back stronger as conditions gradually normalise. Elsewhere, positions in speciality retailer Ryohin Keikaku and pharmaceuticals company Eisai underperformed on stock-specific factors.

Portfolio Manager's Review continued

Question

What have been the key changes to the portfolio and where do you see the greatest opportunities?

Answer

At the start of 2020, the portfolio had a relatively large technology tilt, with a focus on globally competitive companies with strong balance sheets, reasonable valuations and a secular growth story. While I took profits in some of the more cyclical technology stocks and naturally trimmed the winners, the overweight exposure to the sector remains in place. Key holdings include component makers Murata Manufacturing and TDK, both of which are beneficiaries of rising smartphone and automobile shipments, and increased content per unit.

Since then I have focused on domestic services stocks that are well positioned to recover and to grow their businesses as restrictions are lifted. Companies in the internet services, e-commerce and educational software sectors that can benefit from changes in the way we work, shop and play are of particular interest. There is likely to be a longer term impact on how companies do business together, and how their processes can become more resilient through, for example, the use of online and cloud computing. Japanese companies have generally been laggards in terms of building that resilience, and the COVID-19 crisis is highlighting the need for them to enhance their digital capabilities. Companies that can supply some of the services to facilitate corporate Japan's digital transformation offer attractive growth opportunities.

I have also looked closely at balance sheets and companies' ability to survive over the longer term. As a result, I reduced some of the financially leveraged names in the Company and some of the winners in 2019 that were ready for profit taking. I also avoided companies that had a one-time boost in pandemic related demand, or where I thought their recovery would be severely delayed.

Question

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

Answer

With the approval of the Board, I increased the level of gearing during the first half of the year to around 25% from 17% at the end of 2019, as the market correction created opportunities to add or increase positions in high-conviction growth stocks across the communications, technology and health care sectors. As the market recovery gained traction towards the end of the year, I selectively took profits in strong performers such as Z Holdings and Olympus and recycled into new names. As a result, the level of gearing declined marginally to 23.5% by the end of December and stands at 24.4% at the time of writing.

Looking forward, I am more likely to take profits in the near term given the recent uptrend in share prices, though the level of gearing will be dependent on the number of new ideas generated in 2021. One area that has the potential to create opportunities is consumer/re-opening names that are likely to benefit from the normalisation of economic and social activity as the pandemic is gradually brought under control.

Question

Has the pandemic affected what you are seeing on the ground in terms of corporate activity and initial public offerings (IPOs)?

Answer

Even amid the pandemic, we saw significant company level activity in 2020. The IPO environment picked up in the second half of the year, with more than 90 companies coming to the market over the twelve month period. This represented a modest uptick from 2019 and is in line with the average over the past five years. Being on the ground means that we see a lot of these new ideas and business models first-hand, and continually meeting with pre-IPO companies enables us to identify the most attractive opportunities.

At the end of the review period, the Company held three unlisted securities. We continue to look for early-stage ideas and nascent disruptors, particularly among fast-growing services and internet-based companies, as well as innovative medical technology names.

There was also a significant amount of corporate activity in 2020, especially in terms of companies buying in their listed subsidiaries. Market reforms by the Tokyo Stock Exchange and enhancements to the Corporate Governance Code should drive further consolidation in 2021. There are opportunities to invest in companies, particularly conglomerates and industrials, where business reorganisation could drive a rerating or at least act as a share price catalyst.

Question

What has been the impact of the new Suga administration?

Answer

Prime Minister Yoshihide Suga took office in mid-September 2020 and brought continuity in terms of macroeconomic and foreign policies, but also a focus on domestic issues that raised the possibility of accelerated reform and deregulation. One policy that stands out is the modernising of government apparatus by digitalising the public sector. Radical changes in government infrastructure usually elicit strong opposition, but the COVID-19 crisis provided cover for an overhaul of the current system.

The digitalisation drive is also creating opportunities in the private sector, as the pandemic highlights the need for companies to enhance their digital capabilities after years of underinvestment in their information technology (IT) infrastructure. The Company is exposed to this theme through holdings in software as a service (SaaS) companies and efficiency enablers in the mid/small cap companies space that have a decent runway of growth and are not well owned by other investors. Looking forward, Suga's commitment to reduce overall greenhouse gas emissions to zero by 2050 has the potential to throw up new investment opportunities in areas such as renewable energy and infrastructure spending.

Question

What have you been seeing in terms of environmental, social and governance (ESG) trends in general in Japan?

Answer

The Ministry of Economy Trade & Industry (METI) and the Financial Services Agency (FSA) have enacted a number of measures aimed at enhancing ESG-related factors, promoting effective engagement and stewardship, as well as encouraging companies to undertake business restructuring including spin-offs. As a member of the Council of Experts (an advisory body of industry leaders organised by the FSA), Fidelity provided views on various stewardship-related issues and contributed to the drafting of new revisions. Looking ahead, changes to the Corporate Governance Code in 2021 will aim to increase the number and quality of outside directors, improve capital efficiency through the elimination of cross shareholdings and enhance group-level governance through the dissolution of parent-subsidiary listings. Stock market reforms planned for 2022 will also challenge companies to improve governance, consolidate non-core businesses and unwind strategic shareholdings.

Question

And how do you incorporate ESG factors into your investment process? Could you provide an example of where active engagement has brought about real change?

Answer

At Fidelity, we believe that high standards of corporate responsibility generally make good business sense and have the potential to protect and enhance investment returns. The investment process undertaken by our research analysts takes ESG issues into account when, in our view, these issues have a material impact on either investment risk or return. ESG analysis is carried out at the analyst level within the investment team and, as the Portfolio Manager, I am also active in analysing the potential effects of ESG factors when making investment decisions for the Company.

By working closely with our Sustainable Investing team on the ground in Japan, we are able to identify laggard companies that are implementing real change and moving up the governance scale. This is particularly relevant for small and mid cap companies, where third party coverage is limited and simple disclosure, especially in English, is often limited. When the markets recognises these companies' efforts, there is a good chance for them to be rerated and revalued.

As an example of our ESG-related activities, I would highlight an excellent diversified chemicals company that the Company holds, with which we actively engaged through the year on the themes of climate change, waste and pollution, and governance. We engaged with the company at the start of 2020, focusing on its low ESG rating and potential improvement measures. We highlighted that the quality of its business and products was not fully reflected in its share price due to ESG-related issues. Management accepted that this stemmed primarily from poor disclosure on chemical safety and carbon emissions, as well as their reluctance to engage with shareholders. The company committed to dealing with these issues. The first positive outcome was a meeting with the CEO, who had never met with investors before, to further discuss ESG-related initiatives and disclosures. Following further meetings by our investment team, the company announced new medium term financial targets, which positively surprised the market as it represented a first constructive commitment to shareholders. This was followed by the company's release of its first integrated report and a detailed ESG data book, which now constitutes best practice and included our recommendations: a reduction plan for CO2 emissions and the establishment of a procurement policy that encompasses environmental and human rights issues.

Question

Clearly we are living in extraordinary times, but what might investors expect next and what should they be focusing on?

Answer

A number of themes present themselves. Certainly clean energy and environmental efficiency are areas where Japan has some very competitive companies that can supply solutions to the regulatory and productivity needs of customers globally. This is a core part of the portfolio and I expect related names to do well for the Company in future. As noted, COVID-19 has also accelerated trends in e-commerce and digitalisation. As profits recover, companies will prioritise those areas.

I intend casting the net further and will be looking particularly for companies with recovery potential in areas such as leisure and travel. As we start to see better earnings announcements in fiscal 2021, there will be an opportunity to pick up companies that are changing into, or returning as, growth names.

Nicholas Price
Portfolio Manager
26 March 2021

Top 10 Holdings

as at 31 December 2020

(based on Portfolio Exposure expressed as a percentage of Shareholders' Funds)

Industry: Wholesale Trade

MISUMI Group

Portfolio Exposure 5.5%

MISUMI Group provides fixed and configurable components to the manufacturing industry with a strong emphasis on providing factory automation machinery design and solutions. The company has a unique business model that offers time savings to its customers of up to 90% through its instantaneous price quote system and very quick delivery of customised parts. It has an expanding business model, with no real global rival, and is set to benefit from the structural growth of factory automation.

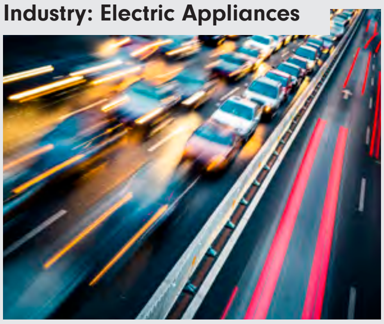
Industry: Electric Appliances

Murata Manufacturing

Portfolio Exposure 5.3%

Murata Manufacturing is a leading designer, manufacturer and supplier of advanced electronic materials, components and multi-functional, high density modules. It is the largest player in ceramic condensers with nearly 50% of global market share. The company is a key beneficiary of the 5G roll out and move to electric vehicles. Additionally, the company has a strong management team, efficient in-house production systems and a high-margin track record.

Industry: Electric Appliances



Koito Manufacturing

Portfolio Exposure 5.2%

Koito Manufacturing, a leading maker of automotive lighting, was founded in 1915 in order to produce Fresnel lenses for railroad signal lamps. The business has operations in 19 countries. As a global supplier, the group makes full use of electronics and other innovative technologies, as well as conducting research and development for unique systems and multi-functional products to improve safety.

Industry: Information & Communication

Z Holdings

Portfolio Exposure 4.9%

Z Holdings, formerly known as Yahoo Japan, engages in the management of group companies and related operations. The company operates e-commerce services such as Yahoo! Shopping, Yahoo! Auction, and ASKUL Corp. Its merger with Line Co has set it up to become the first SuperApp in Japan. The earnings power of the combined company has been underestimated by the market and it is likely to become one of the strongest internet platforms in Asia.

Industry: Services

Recruit Holdings

Portfolio Exposure 3.8%

Recruit Holdings is a global leader in human resource technology. The company offers integrated HR solutions, media marketing and temp staffing services. It operates an online job searching engine, "Indeed.com" as well as a company information site, "Glassdoor". In particular, "Indeed.com" continues to be a major disruptor to HR recruiting processes and this potential for disruption is significantly under-appreciated by the market.

Industry: Information & Communication

JustSystems

Portfolio Exposure 3.8%

JustSystems is a software development company, 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. The company is poised to benefit from government initiatives that will boost penetration of its distance learning software.

Industry: Electric Appliances

Keyence

Portfolio Exposure 3.6%

Keyence engineers, manufactures and distributes automation sensors, measuring systems, laser markers, microscopes and machine vision systems. It is the fastest growing factory automation name in Japan and has repeatedly featured in the Forbes Top 100 most innovative companies list. The company also stands out for its consultative approach to sales, as well as the fast delivery of its products. It also has high gross and operating margins and its direct-sales approach drives very strong growth in up-cycles and defensive sales in down-cycles.

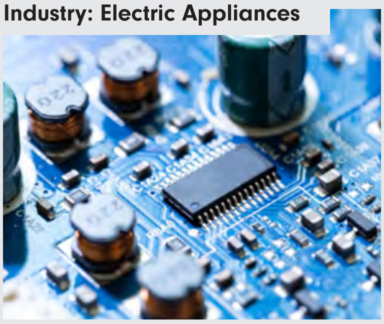
Industry: Transportation Equipment

Shimano

Portfolio Exposure 3.3%

Shimano is a world leader in the manufacture of cycling components, rowing equipment and fishing tackle. Approximately 80% of company wide operating income comes from its bicycle components segment. It has operations in Japan, Asia, Europe, North America, Latin America, and Oceania. It is expected that the company will benefit from strong demand for bicycles in the post pandemic world and that, over the longer term, it can gain market share in the electronic bike sector as well.

Industry: Electric Appliances



TDK

Portfolio Exposure 3.1%

TDK is a world leading electronic components manufacturer. The company's products serve a myriad of applications – they provide critical functionality in smartphones, personal computers, electrical appliances, industrial equipment, and automobiles. It also manufactures rechargeable batteries for smartphones and other mobile devices as well as HD drives and components. As newer generation communication requires more battery capacity, the company is set to benefit tremendously from the 5G roll-out and is already the dominant player in this area with over 40% of global market share.

Industry: Precision Instruments

Olympus

Portfolio Exposure 2.9%

Olympus is a well-known manufacturer of optical and digital precision technology. The company develops and sells medical technology and solutions for science and industry. The company was founded in 1919 and 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. Its highly anticipated new endoscope products are expected to drive top-line and bottom-line growth over the next 18 months and beyond.

Portfolio Listing

as at 31 December 2020

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

Name	Sector	Fair Value £'000	2020 Portfolio Exposure £'000	2020 Portfolio Exposure %[1]	2019 Portfolio Exposure £'000	2019 Portfolio Exposure %[1]
Exposures – shares unless otherwise stated						
MISUMI Group	Wholesale Trade	16,917	16,917	5.5	10,285	4.1
Murata Manufacturing (shares and long CFD)	Electric Appliances	9,166	16,470	5.3	20,405	8.1
Koito Manufacturing (shares and long CFD)	Electric Appliances	8,891	16,012	5.2	–	–
Z Holdings (shares and long CFD)	Information & Communication	7,264	15,252	4.9	4,055	1.6
Recruit Holdings (shares and long CFD)	Services	5,632	11,779	3.8	523	0.2
JustSystems	Information & Communication	11,607	11,607	3.8	13,973	5.5
Keyence (shares and long CFD)	Electric Appliances	8,055	11,062	3.6	11,903	4.7
Shimano (shares and long CFD)	Transportation Equipment	7,145	10,205	3.3	9,718	3.8
TDK (shares and long CFD)	Electric Appliances	6,562	9,570	3.1	6,766	2.7
Olympus (shares and long CFD)	Precision Instruments	441	9,076	2.9	17,872	7.1
Ten largest exposures (2019: £121,885,000 representing portfolio exposure of 48.3%)		**81,680**	**127,950**	**41.4**		
Yamaha	Other Products	9,018	9,018	2.9	11,263	4.5
ORIX (shares and long CFD)	Other Financing Business	4,501	8,701	2.8	–	–
Yaskawa Electric	Electric Appliances	8,151	8,151	2.6	6,446	2.5
NOF	Chemicals	8,115	8,115	2.6	4,897	1.9
Ryohin Keikaku (shares and long CFD)	Retail Trade	4,383	7,531	2.4	8,213	3.3
Raksul	Information & Communication	7,426	7,426	2.4	5,192	2.1
Oriental Land	Services	6,670	6,670	2.2	–	–
UT Group	Services	6,614	6,614	2.2	5,415	2.1
Sansan	Information & Communication	6,327	6,327	2.0	27	–
Kotobuki Spirits	Foods	6,279	6,279	2.0	6,705	2.7
Open House (shares and long CFD)	Real Estate	2,211	6,254	2.0	–	–
Hennge (shares and long CFD)	Information & Communication	2,108	6,084	2.0	–	–
Fujitsu (shares and long CFD)	Electric Appliances	3,176	6,065	2.0	128	0.1
Shimadzu	Precision Instruments	6,000	6,000	2.0	5,752	2.3
Nojima	Retail Trade	5,870	5,870	1.9	4,451	1.8
Daikin Industries	Machinery	5,655	5,655	1.8	9,212	3.6
Renesas Electronics (shares and long CFD)	Electric Appliances	2,264	5,488	1.8	6,108	2.4
Screen Holdings	Electric Appliances	4,881	4,881	1.6	6,692	2.7
ARUHI	Other Financing Business	4,563	4,563	1.5	5,238	2.1
Medical Data Vision	Information & Communication	4,491	4,491	1.5	–	–
Shiseido	Chemicals	3,835	3,835	1.2	–	–

Name	Sector	Fair Value £'000	2020 Portfolio Exposure £'000	2020 Portfolio Exposure %[1]	2019 Portfolio Exposure £'000	2019 Portfolio Exposure %[1]
Rinnai	Metal Products	3,794	3,794	1.2	–	–
Miura	Machinery	3,715	3,715	1.2	–	–
Pan Pacific International Holdings	Retail Trade	3,702	3,702	1.2	–	–
Eizo	Electric Appliances	3,580	3,580	1.2	3,752	1.5
Giftee	Information & Communication	3,527	3,527	1.1	–	–
Tokyo Electron (long CFD)	Electric Appliances	168	3,455	1.1	8,179	3.2
Creema	Information & Communication	3,420	3,420	1.1	–	–
Nihon M&A Center (long CFD)	Services	34	3,376	1.1	4,000	1.6
Kamakura Shinsho	Services	3,323	3,323	1.1	4,697	1.9
FANUC	Electric Appliances	3,215	3,215	1.1	–	–
Coconala	Unlisted	3,164	3,164	1.0	2,774	1.1
ROHM	Electric Appliances	3,138	3,138	1.0	5,231	2.1
Nihon Flush	Other Products	3,001	3,001	1.0	3,121	1.2
Optex Group	Electric Appliances	2,896	2,896	1.0	2,432	1.0
Minkabu The Infonoid	Information & Communication	2,847	2,847	0.9	–	–
Nidec	Electric Appliances	2,835	2,835	0.9	1,456	0.6
Central Japan Railway	Land Transportation	2,793	2,793	0.9	–	–
Makuake	Information & Communication	2,583	2,583	0.8	–	–
Sumitomo Metal Mining	Nonferrous Metals	2,530	2,530	0.8	–	–
OBIC	Information & Communication	2,527	2,527	0.8	–	–
West Holdings	Construction	2,309	2,309	0.8	–	–
Central Automotive Products	Wholesale Trade	2,134	2,134	0.7	2,082	0.8
MonotaRO	Retail Trade	2,066	2,066	0.7	1,579	0.6
Information Services International-Dentsu	Information & Communication	2,052	2,052	0.7	801	0.3
CKD	Machinery	1,968	1,968	0.6	1,883	0.7
KIYO Learning	Services	1,927	1,927	0.6	–	–
Hirano Tecseed	Machinery	1,892	1,892	0.6	1,148	0.4
WealthNavi	Securities & Commodity Futures	1,889	1,889	0.6	–	–
Shinko Electric Industries	Electric Appliances	1,767	1,767	0.6	25	–
DIP	Services	1,644	1,644	0.5	–	–
Horiba	Electric Appliances	1,640	1,640	0.5	1,696	0.7
Moneytree	Unlisted	1,595	1,595	0.5	–	–
freee	Information & Communication	1,590	1,590	0.5	–	–
Rozetta	Services	1,526	1,526	0.5	–	–
Daiichi Kosho	Wholesale Trade	1,388	1,388	0.5	–	–
Digital Garage	Information & Communication	1,260	1,260	0.4	1,555	0.6

Portfolio Listing continued

Name	Sector	Fair Value £'000	2020 Portfolio Exposure £'000	2020 Portfolio Exposure %[1]	2019 Portfolio Exposure £'000	2019 Portfolio Exposure %[1]
Round One	Services	1,236	1,236	0.4	–	–
Mercari (shares and long CFD)	Information & Communication	79	1,159	0.4	–	–
Techno Smart	Machinery	1,097	1,097	0.4	844	0.3
NIPPO	Construction	1,083	1,083	0.4	–	–
Tokyo Base	Retail Trade	1,044	1,044	0.3	110	–
Mitsui High-tec	Electric Appliances	1,033	1,033	0.3	–	–
Taikisha	Construction	1,032	1,032	0.3	1,722	0.7
Shinnihonseiyaku	Chemicals	1,026	1,026	0.3	951	0.4
Net One Systems	Information & Communication	1,012	1,012	0.3	–	–
Yamaha Motor (long CFD)	Transportation Equipment	–	986	0.3	–	–
Relo Group	Services	979	979	0.3	1,817	0.7
Koshidaka Holdings	Services	976	976	0.3	–	–
m-up	Information & Communication	940	940	0.3	903	0.4
Azbil	Electric Appliances	929	929	0.3	–	–
Daibiru	Real Estate	861	861	0.3	–	–
Fujimi	Glass & Ceramics Products	844	844	0.3	1,262	0.5
Japan Material	Services	801	801	0.3	1,012	0.4
Piolax	Metal Products	777	777	0.3	1,018	0.4
Innophys	Unlisted	738	738	0.3	902	0.4
Yappli	Information & Communication	731	731	0.2	–	–
Sagami Rubber Industries	Rubber Products	728	728	0.2	1,420	0.6
Nitto Boseki	Glass & Ceramics Products	713	713	0.2	661	0.3
Nitta	Rubber Products	704	704	0.2	1,884	0.7
JMDC	Information & Communication	704	704	0.2	–	–
Makita	Machinery	644	644	0.2	–	–
Nippon Shinyaku	Pharmaceutical	634	634	0.2	–	–
Plaid	Information & Communication	579	579	0.2	–	–
Heiwa Real Estate	Real Estate	536	536	0.2	–	–
Nippon Road	Construction	382	382	0.2	–	–
Hino Motors	Transportation Equipment	362	362	0.1	–	–
Hitachi Zosen	Machinery	298	298	0.1	–	–
Sumitomo Heavy Industries	Machinery	294	294	0.1	–	–
Nitori Holdings	Retail Trade	276	276	0.1	–	–
Sumitomo Densetsu	Construction	262	262	0.1	234	0.1
Kansai Paint	Chemicals	211	211	0.1	–	–
Tokyo Radiator Manufacturing	Transportation Equipment	157	157	0.1	285	0.1

Name	Sector	Fair Value £'000	2020 Portfolio Exposure £'000	%[1]	2019 Portfolio Exposure £'000	%[1]
Fast Retailing	Retail Trade	131	131	0.1	–	–
Cosmos Initia	Real Estate	113	113	–	216	0.1
Hokkaido Chuo Bus	Land Transportation	103	103	–	116	–
Hoya	Precision Instruments	51	51	–	2,325	0.9
Eiken Chemical	Pharmaceutical	48	48	–	–	–
Twenty-Four Seven	Services	38	38	–	788	0.3
Total Portfolio (including long CFDs)		**304,843**	**381,288**	**123.5**		

Fair Value and Portfolio Exposure of Investments as at 31 December 2020

	Fair Value £'000	2020 Portfolio Exposure £'000	%[1]	2019 Portfolio Exposure £'000	%[1]
Investments (Note 9 – see page 58)	303,002	303,002	98.1	249,099	98.7
Derivative instrument assets – long CFDs (Note 10 – see page 59)	1,932	71,273	23.1	39,975	15.8
Derivative instrument liabilities – long CFDs (Note 10 – see page 59)	(91)	7,013	2.3	6,286	2.5
	304,843	**381,288**	**123.5**	**295,360**	**117.0**
Shareholders' Funds		**308,806**		**252,491**	
Gearing[2]			**23.5%**		**17.0%**

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

STRATEGY GOVERNANCE FINANCIAL INFORMATION FOR SHAREHOLDERS

Distribution of the Portfolio
as at 31 December 2020

Sector	2020[1] Total %	2020[2] Index %	2019[1] Total %
Electric Appliances	33.1	17.3	35.2
Information & Communication	24.6	9.2	12.5
Services	13.3	5.8	9.5
Retail Trade	6.7	4.8	6.3
Wholesale Trade	6.7	4.6	5.5
Machinery	5.0	5.8	5.1
Precision Instruments	4.9	2.8	10.3
Other Financing Business	4.3	1.1	2.1
Chemicals	4.2	7.6	3.4
Other Products	3.9	2.8	6.6
Transportation Equipment	3.8	7.4	7.5
Real Estate	2.5	1.9	0.1
Foods	2.0	3.5	2.7
Unlisted	1.8	–	1.5
Construction	1.8	2.3	0.8
Metal Products	1.5	0.6	0.4
Land Transportation	0.9	3.5	–
Nonferrous Metals	0.8	0.7	–
Securities & Commodity Futures	0.6	0.8	–
Glass & Ceramics Products	0.5	0.8	0.8
Rubber Products	0.4	0.5	1.7
Pharmaceutical	0.2	5.9	2.8
Iron & Steel	–	0.6	1.5
Marine Transportation	–	0.2	0.6
Warehousing & Harbour Transportation Services	–	0.2	0.1
Banks	–	4.4	–
Insurance	–	1.9	–
Electric Power & Gas	–	1.3	–
Textiles & Apparels	–	0.5	–
Air Transportation	–	0.4	–
Oil & Coal Products	–	0.4	–
Pulp & Paper	–	0.2	–
Fishing, Agriculture & Forestry	–	0.1	–
Mining	–	0.1	–
Total	**123.5**	**100.0**	**117.0**

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

Ten Year Record

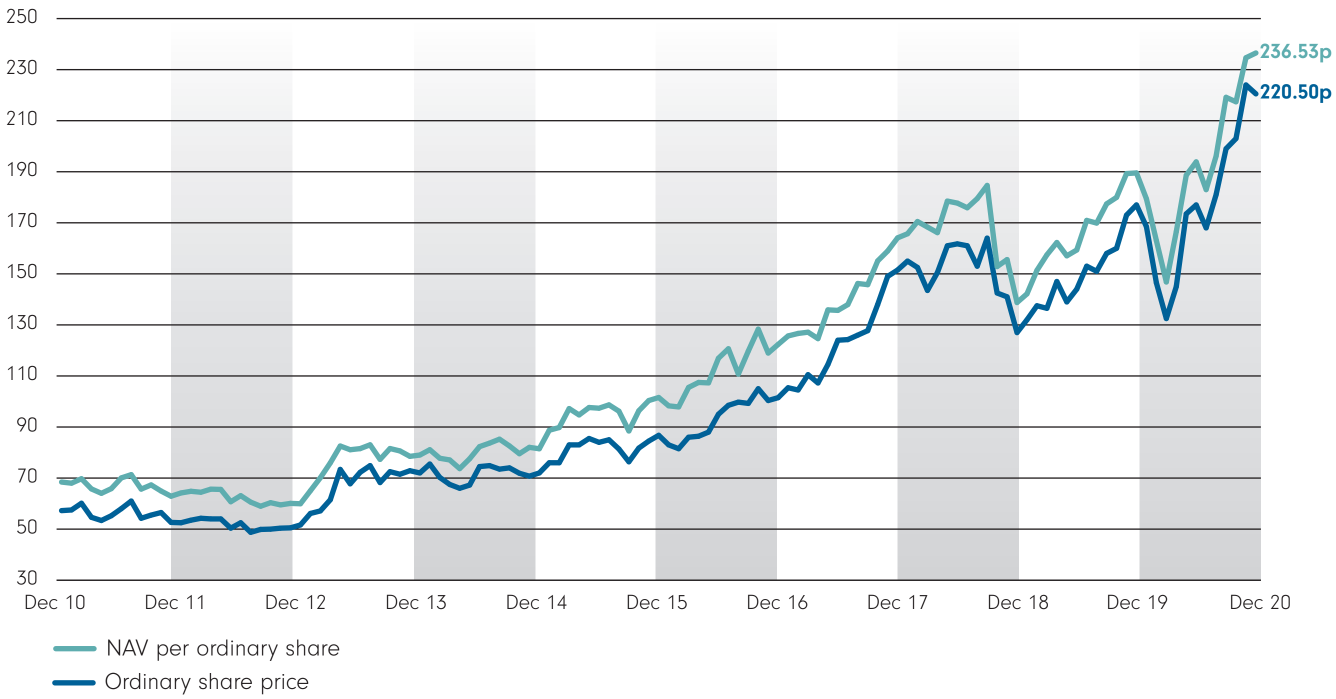
For the year ended 31 December	**2020**	2019	2018	2017	2016	2015	2014	2013	2012	2011
Assets										
Total portfolio exposure (£m)[1]	**381.3**	295.4	216.0	264.1	206.9	135.3	113.5	105.1	70.2	77.0
Shareholders' funds (£m)	**308.8**	252.5	187.5	222.5	166.4[2]	116.0	92.9	90.0[3]	58.0	62.5
NAV per ordinary share – undiluted (p)[4]	**236.53**	189.55	138.77	164.10	122.37	101.56	81.48	79.02	59.94	64.17
NAV per ordinary share – diluted (p)	**n/a**	n/a	n/a	n/a	n/a	99.08	n/a	n/a	59.91	62.79
Share price and Discount data										
Ordinary share price (p)	**220.50**	177.00	127.00	151.50	101.50	86.75	72.00	72.00	51.63	52.50
Subscription share price (p)	**n/a**	n/a	n/a	n/a	n/a	3.13	4.25	n/a	0.80	5.70
Discount to NAV % – undiluted[4]	**6.8**	6.6	8.5	7.7	17.1	14.6	11.6	8.9	13.9	18.2
Discount to NAV % – diluted	**n/a**	n/a	n/a	n/a	n/a	12.4	n/a	n/a	12.8	16.4
Revenue and Costs										
Revenue return/(loss) per ordinary share (p)[4]	**1.56**	0.29	(0.07)	(0.22)	0.07	(0.14)	(0.45)	(0.30)	(0.06)	0.02
Ongoing charges (%) (cost of running the Company)[4]	**0.94**	0.98	1.10	1.31	1.46	1.52	1.62	1.80	2.00	1.98
Gearing										
Gearing (%)[4]	**23.5**	17.0	15.2	18.7	24.3	16.6	22.2	16.8	21.0	23.2
Performance Total Returns										
NAV per ordinary share – undiluted (%)[4]	**+24.8**	+36.6	-15.4	+34.1	+20.5	+24.6	+3.1	+31.8	-6.6	-6.2
NAV per ordinary share – diluted (%)	**n/a**	n/a	n/a	n/a	n/a	+21.6	n/a	n/a	-5.7	-5.2
Ordinary share price (%)[4]	**+24.6**	+39.4	-16.2	+49.3	+17.0	+20.5	0.0	+39.5	-1.7	-8.3
Reference Index (in sterling terms) (%)[5]	**+9.5**	+14.6	-8.3	+17.5	+22.0	+19.4	+5.1	+21.7	-3.1	-9.3

1 The total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs.
2 The issue of ordinary shares from the exercise of subscription share rights, contributed £19.5 million to the increase in shareholders' funds.
3 The issue of ordinary shares from 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.

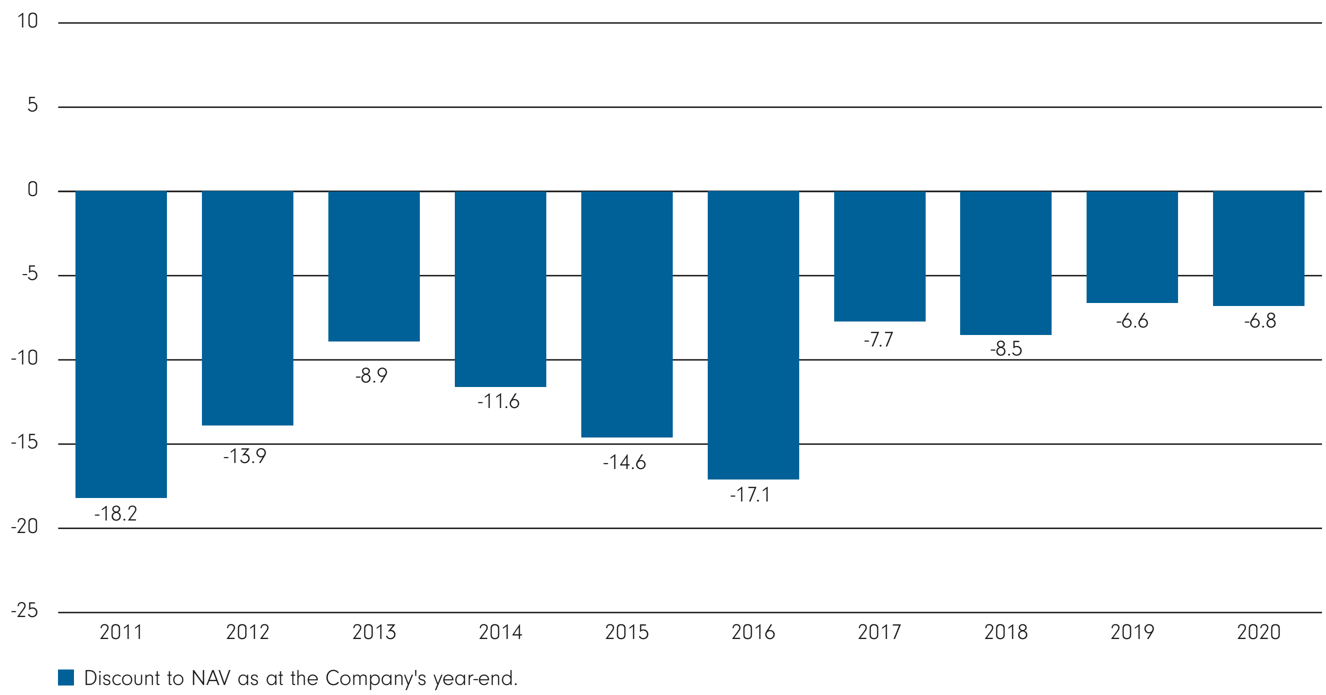
Summary of Performance Charts

NAV and ordinary share price for ten years to 31 December 2020



Sources: Fidelity and Datastream.

Share price discount to NAV for ten years to 31 December 2020 (%)



Sources: Fidelity and Datastream.

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 7 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's objective is 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 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.

The Company's objective, strategy and principal activity have remained unchanged throughout the year ended 31 December 2020.

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.

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 stock market.
- 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.

Strategic Report continued

The aggregate exposure of the Company to Japanese equities, whether held directly or through CFDs, will not exceed shareholders' funds by more than 30% at the time any CFD is entered into or a security acquired. The Board also intends that the exposure will not exceed shareholders' funds by more than 40% at any other time unless exceptional circumstances exist.

The level of gearing is reviewed regularly by the Board and the Portfolio Manager. Currently the Portfolio Manager has discretion to be up to 25% geared, or more subject to Board approval. At the year end the Company was 23.5% geared (2019: 17.0%).

Performance
The Company's performance for the year ended 31 December 2020, 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 7. The Portfolio Listing, Distribution of the Portfolio, Ten Year Record and Summary of Performance Charts are on pages 10 to 16.

Results
The Company's results for the year ended 31 December 2020 are set out in the Income Statement on page 50. The revenue return was 1.56 pence and the capital return was 44.53 pence, giving a total return of 46.09 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. The Board's intention is for the NAV and share price to outperform the Reference Index and that the discount should be maintained in single digits in normal market conditions.

	Year ended 31 December 2020 %	Year ended 31 December 2019 %
NAV per ordinary share total return[1]	**+24.8**	+36.6
Share price total return[1]	**+24.6**	+39.4
Reference Index (in sterling terms) total return	**+9.5**	+14.6
Discount to NAV[1]	**6.8**	6.6
Ongoing charges[1,2]	**0.94**	0.98

1 Alternative Performance Measures.
2 The Board regularly considers the costs of running the Company to ensure they are reasonable and competitive.

Sources: Fidelity and Datastream.

In addition to the KPIs set out in the table in the previous column, 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 15 and 16.

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 emerging risks faced by the Company, including those that could 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 and uncertainties that the Company faces. The Board believes the key emerging risks to be climate change and the longer term ramifications from the pandemic.

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.

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, exchange rate movements and ESG investing, including climate risk. 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 COVID-19 on the markets is discussed in the Chairman's Statement and in the Portfolio Manager's Review on pages 2 to 7. These risks are somewhat mitigated by the Company's 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 61 to 66 together with summaries of the policies for managing these risks.
Performance Risk	The achievement of the Company's investment performance objective relative to the market requires the taking of risk, such as strategy, asset allocation and stock selection, and may lead to NAV and share price underperformance compared to the Reference Index. 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 such that the Company is more exposed to volatility in the shorter term.
Pandemic Risk	With the pandemic continuing to evolve and variants of COVID-19 appearing, it is evident that although COVID-19 is being tackled by the arrival of vaccines, risks remain. The roll-out of vaccines globally is also slow and the effectiveness against the variants is uncertain. There continues to be increased focus from financial services regulators around the world on the contingency plans of regulated financial firms. The Manager carries on reviewing its business continuity plans and operational resilience strategies on an ongoing basis and continues to take all reasonable steps in 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 that all staff work from home and has implemented split team working for those whose work is deemed necessary to be carried out in an office. The Manager follows the self-isolation and lock-down arrangements on staff in line with Government recommendations and guidance. PricewaterhouseCoopers LLP has also confirmed in the AAF Internal Controls report issued to Fidelity that there have not been any significant changes to Fidelity's control environment as a result of COVID-19. Investment team key activities, including portfolio managers, analysts and trading/support functions, are performing well despite the operational challenges posed by working from home or split team arrangements. The Company's other third party service providers have also confirmed the implementation of similar measures to ensure no business disruption.
Economic, Geopolitical and Natural Disaster Risks	Political change can impact the Company's assets, such as US/China tensions, North Korean aggression 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.

Strategic Report continued

Principal Risks	Description and Risk Mitigation
Discount Control Risk	The price of the Company's shares and its discount to NAV are factors which are not within the Board's total control. However, it can have a modest influence in the market by maintaining the profile of the Company through a marketing campaign and, under certain circumstances, through repurchasing shares. The Board continues to adopt 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. The Board continues to adopt an active discount management policy.
Cybercrime Risk	The operational risk from cybercrime is significant. 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. The risk is frequently re-assessed by Fidelity's information security and technology teams and has resulted in the implementation of new tools and processes as well as improvements to existing ones. Fidelity has also established a dedicated cybersecurity team which provides regular awareness updates and best practice guidance. Risks are increased due to the COVID-19 crisis, primarily related to phishing, remote access threats, extortion and denial-of-services attacks. The Manager has a dedicated detect and respond resource to specifically monitor cyber threats associated with COVID-19.
Economic, Social and Governance ("ESG") Risk	There is a risk that the value of the Company's assets are negatively impacted by ESG related risks, including climate control. Fidelity has embedded ESG factors in its investment decision making process. ESG integration is carried out at the fundamental research analyst level within its investment teams, primarily through Fidelity's Proprietary Sustainability Rating which is designed to generate forward-looking and holistic assessment of a company's ESG risks and opportunities based on sector-specific key performance indicators across 99 individual and unique sub-sectors. The Portfolio Manager is also active in analysing the effects of ESG when making investment decisions. Further detail on ESG considerations in the investment process is on pages 24 to 27.
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. As explained in the Chairman's Statement on pages 2 and 3, the Board and Fidelity have appointed an Assistant Portfolio Manager who has extensive experience in the Japanese market and shares a common investment approach and complementary investment experience with the Portfolio Manager. This should help strengthen the investment process by introducing greater challenge and also increases the ability to meet more companies.
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.

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 the 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 61 to 66.

Other risks facing the Company include:

Tax and Regulatory Risks
There is a risk of the Company 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 with 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 12 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 five 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 on the viability of the Company, the Board has considered the following:

- The ongoing relevance of the investment objective in prevailing market conditions;
- The Company's NAV and share price performance;
- The principal and emerging risks and uncertainties facing the Company, as set out above, and their potential impact;
- The future demand for the Company's shares;
- The Company's share price discount to NAV;
- The liquidity of the Company's portfolio;
- The level of income generated by the Company; and
- Future income and expenditure forecasts.

The Company's performance has been very strong for the five year reporting period to 31 December 2020, with a NAV total return of 132.9% and a share price total return of 154.2% compared to a Reference Index total return of 65.1%. The Board regularly reviews the investment policy and considers whether it remains appropriate. The Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years based on the following considerations:

- The Investment Manager's compliance with the Company's investment objective and policy, its investment strategy and asset allocation;
- The portfolio mainly comprises readily realisable securities which can be sold to meet funding requirements if necessary;
- The Board's discount management policy;
- The ongoing processes for monitoring operating costs and income which are considered to be reasonable in comparison to the Company's total assets; and
- The Board's assessment of the risks arising from COVID-19 as set out in the Principal Risks on page 19.

In addition, the Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern Statement which can be found in the Directors' Report on page 29.

Promoting the Success of the Company
Under Section 172(1) of the Companies Act 2006, the Directors of a company must act in a way they consider, in good faith,

Strategic Report continued

would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the likely consequences of any decision in the long term; the need to foster relationships with the Company's suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the company.

As an externally managed Investment Trust the Company has no employees or physical assets, and a number of the Company's functions are outsourced to third parties. The key outsourced function is the provision of investment management services to the Manager, but other professional service providers support the Company by providing administration, custodial, banking and audit services. The Board considers the Company's key stakeholders to be the existing and potential shareholders, the external appointed Manager (Fidelity), and other third party professional service providers. The Board considers that the interest of these stakeholders is aligned with the Company's objective of delivering long term capital growth to investors, in line with the Company's stated investment objective and strategy, while providing the highest standards of legal, regulatory and commercial conduct.

The Board, with the Portfolio Manager, sets the overall investment strategy and reviews this at an annual strategy day which is separate from the regular cycle of board meetings. In order to ensure good governance of the Company, the Board has set various limits on the investments in the portfolio, whether in the maximum size of individual holdings, the use of derivatives, the level of gearing and others. These limits and guidelines are regularly monitored and reviewed and are set out on pages 17 and 18.

The Board places great importance on communication with shareholders. The Annual General Meeting provides the key forum for the Board and Manager to present to the shareholders on the Company's performance and future plans and, in normal circumstances, the Board encourages all shareholders to attend, and raise questions and concerns. The Chairman and other Board members are available to meet shareholders as appropriate, and shareholders may also communicate with Board members at any time by writing to them at the Company's registered office or via the Company Secretary at the address provided on page 73 or by email at **investmenttrusts@fil.com**. The Portfolio Manager meets with major shareholders, potential investors, stock market analysts, journalists and other commentators during the year. These communication opportunities help inform the Board in considering how best to promote the success of the company over the long term.

The Board seeks to engage with the Manager and other service providers and advisers in a constructive and collaborative way, promoting a culture of strong governance, while encouraging open and constructive debate, in order to ensure appropriate and regular challenge and evaluation. This aims to enhance service levels and strengthen relationships with service providers, with a view to ensuring shareholders' interests are best served, by maintaining the highest standards of commercial conduct while keeping cost levels competitive.

Whilst the Company's direct operations are limited, the Board recognises the importance of considering the impact of the Company's investment strategy on the wider community and environment. The Board believes that a proper consideration of Environmental, Social and Governance ("ESG") issues aligns with the objective to deliver long term capital growth, and the Board's review of the Manager includes an assessment of their ESG approach, which is set out on the next page and in detail on pages 24 to 27.

In addition to ensuring that the Company's investment objective was being pursued, key decisions and actions taken by the Directors during the reporting year, and up to the date of this report, have included:

– the decision 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;

– authorising the repurchase of 2,652,164 ordinary shares into Treasury when market conditions permitted in order to keep the Company's discount in single digits;

– the decision to revise and accelerate the Board's succession plans in response to the 21% votes received against the re-election of Philip Kay. The Board discussed the matter internally and sought views from major shareholders. Philip Kay stepped down from the Board on 31 December 2020; and

– as part of the Board's succession plans, the appointment and induction of David Barron to the Board took effect from 20 October 2020.

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 and ethnicity. At 31 December 2020, there were five male Directors and one female Director on the Board. This changed to four male Directors and one female Director when Philip Kay stepped down from the Board on 31 December 2020. It will change further to three male Directors and one female Director when David Robins steps down from the Board at the conclusion of the AGM on 18 May 2021.

Board Apprentice Scheme

Last year, the Board participated in the Board Apprentice Scheme (the "Scheme") which offers the selected candidate the opportunity to observe the workings of the Board and its Committees for a period of one year. The objective of the Scheme is to increase diversity on boards. Ashley Norton was selected and started in October 2019. However, due to the disruptions caused by COVID-19 she was unable to complete her Apprenticeship. The Board has, therefore, decided to extend her Apprenticeship for a further year. Ashley does not receive a fee but it is intended that the experience gained will assist in 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. It believes that ESG considerations are an important input into the assessment of the value of its investments. The investment universe is undergoing significant structural change and is likely to be impacted by increasing regulation as a result of climate change and other social and governance factors. The Board is committed to reviewing how the Manager applies ESG factors in the investment process. 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 **www.fidelity.co.uk/responsible-investing**. Further information on Fidelity's ESG considerations in the investment process and in sustainable investing can be found on pages 24 to 27 and are part of this Strategic Report.

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 which updates the Board on any issues and activities. These activities are reviewed regularly by the Manager's corporate governance team.

Streamlined Energy and Carbon Reporting (SECR)

As an investment company with all its activities outsourced to third parties, 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. The Company is categorised as a low energy user (less than 40MWH) under the Streamlined Energy & Carbon Reporting regulations and therefore is not required to disclose any energy and carbon information in this Annual Report.

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 adopted 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 set out in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 7.

By Order of the Board
FIL Investments International
Secretary
26 March 2021

ESG in the Investment Process

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.

ESG integration at Fidelity International is carried out at the fundamental research analyst level within its investment teams, primarily through the implementation of the Fidelity Proprietary Sustainability Rating. This rating was established in 2019 and is designed to generate a forward-looking and holistic assessment of a company's ESG risks and opportunities, based on sector specific key performance indicators across 99 individual and unique sub-sectors. In addition, Fidelity's portfolio managers are also active in analysing the effects of ESG factors when making investment decisions.

Fidelity's approach to integrating ESG factors into its investment analysis includes the following activities:

- In-depth research
- Company engagement
- Active ownership
- Collaboration within the investment industry

Although Fidelity's analysts have overall responsibility for analysing the environmental, social and governance performance of the companies in which it invest, it has a dedicated Sustainable Investing Team working closely with the investment teams and is responsible for consolidating Fidelity's approach to stewardship, engagement, ESG integration and the exercise of its votes at general meetings.

The Sustainable Investing Team have a key role in assisting the investment teams with ESG integration which includes:

- Implementing Fidelity's proxy voting guidelines.
- Engagement with investee companies on ESG issues including attending company meetings.
- Working closely with the investment team globally across all asset classes in integrating ESG into analysis and decision-making.
- Providing internal ESG reporting including analyst reports, portfolio manager reviews and industry analysis.
- Co-ordinating and responding to specific client queries on ESG topics.
- Publishing client reporting on ESG integration and proxy voting.
- Maintaining a thorough understanding of current ESG themes and trends around the world.
- Attending external seminars and conferences focusing on trending ESG issues and ESG integration.
- Providing ESG training to the investment team and across the business.

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 may often visit the companies in person to develop a view of every company in which Fidelity invests and ESG factors are embedded in this research process.

Examples of ESG factors that Fidelity's investment teams may consider as part of its 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 and 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)

Fidelity operates analyst training and development programmes which include modules on ESG themes, topics and strategies and attendance at external seminars on the trending ESG issues in the market globally 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 and Fidelity uses these ratings in conjunction with its wider analysis. Fidelity's sources of ESG research are reviewed on a regular basis.

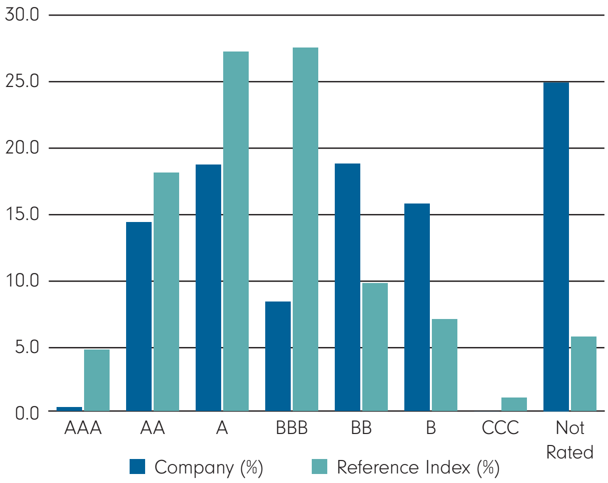
The ESG ratings and associated company reports are included on Fidelity's centralised research management system. This is an integrated desktop database, so that each analyst has a first-hand view of how each company under their coverage is rated according to ESG factors. In addition, ESG ratings are included in the analyst research notes which are published internally and form part of the investment decision. The external research vendor also provides controversy alerts which include information on companies within its coverage which have been identified to have been involved in a high-risk controversy that may have a material impact on the company's business or its reputation.

ESG and Carbon Emissions Assessment

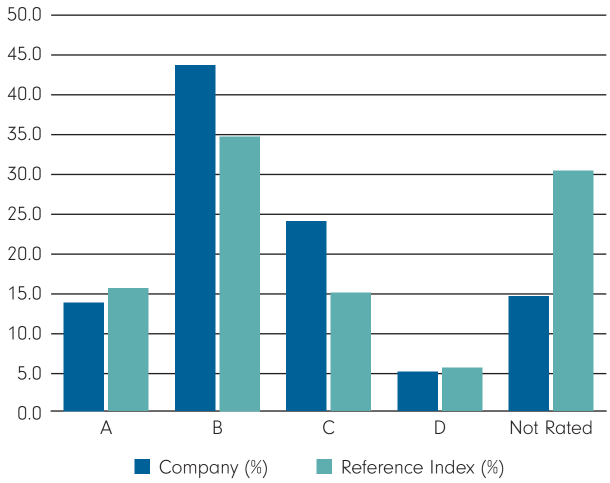
Japanese companies are often perceived by overseas investors as commercially successful, but lagging international peers on environmental, social and governance factors. That perception no longer matches the reality in several areas. For example, Japan now has the largest number of TCFD (Task Force on Climate-related Financial Disclosures) supporters and CDP (Carbon Disclosure Project) A-rated companies in the world. Greater disclosure can therefore be expected by companies on plans to tackle climate change in the future. The Japanese GPIF (Government Pension Investment Fund) also reports that Japanese companies have more technological know-how which will allow them to adapt to climate change better than those in other countries, based on analysis of the patents they hold.

The first two charts below show a breakdown of the underlying stocks in the Company's portfolio using MCSI and Fidelity's own ESG ratings. It is encouraging that more than 85% of the portfolio (as shown in the right hand chart) is covered by Fidelity compared with 75% covered by MSCI (as shown in the left hand chart). As disclosure improves, the efforts of Japanese companies to address ESG concerns are likely to become more widely recognised, leading to higher ESG scores and more investor capital.

MSCI ESG rating distribution by holdings



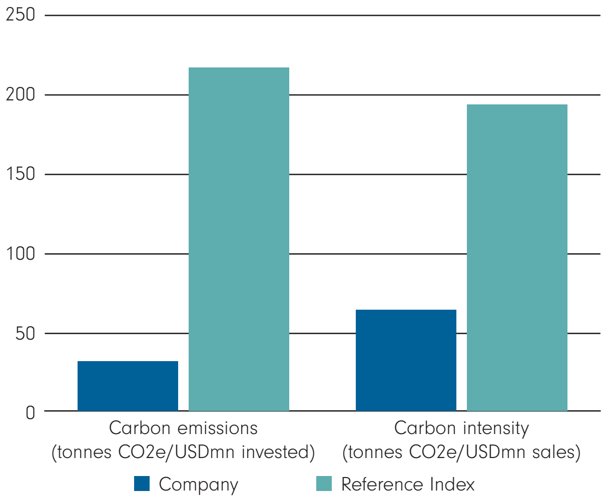
Fidelity's Proprietary ESG rating distribution by holdings



Fidelity's ESG methodology is described in the following pages.

The chart below demonstrates that the Company's portfolio has a significantly lower carbon footprint than that of the Reference Index.

Carbon footprint

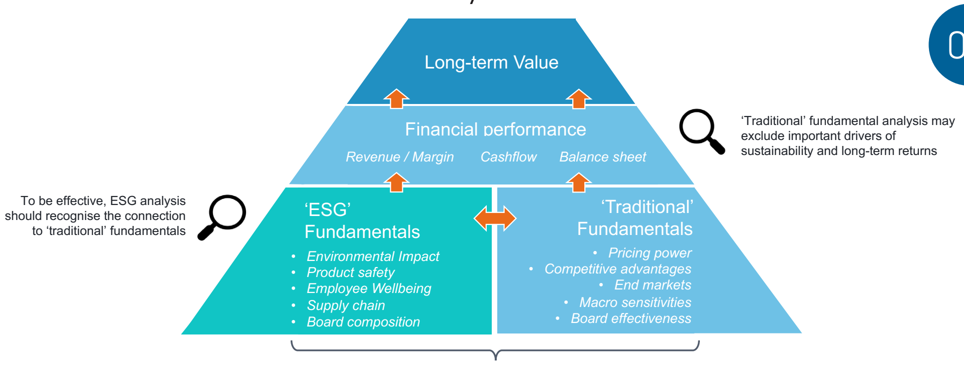


ESG and Sustainable Investing at Fidelity

Why integrate ESG?

ESG as a dimension of fundamental analysis

01



Integrated Financial and ESG analysis captures the full range of fundamental factors impacting financial performance and long-term shareholder value

What we believe in

02

Enhance investment returns

- Incorporating ESG issues in our bottom up research leads to more complete analysis and better informed investment decisions
- Encouraging management teams to raise standards of sustainability leads to more robust and resilient business models and behaviours

Integrate non-financial objectives

- Seek to understand, measure and target the non-financial outcomes of our financial decisions
- Participate and promote the creation of industry frameworks and measurements aimed at contribution of businesses to environmental and societal transitions

Apply local context

- Understand and apply ESG in the context of the local market and objectives of local regulators and policy-makers
- Interpret ESG from a bottom up issuer perspective, recognising differences in materiality of factors between industries, geographies and business models

Engagement and collaboration

- Prefer engagement over exclusion as a means of promoting and transitioning to more sustainable forms of production and consumption
- Collaborate with clients, peers and civil society organisations to maximise influence and leverage positive outcomes

Which leads to our approach

03

Integration across asset classes

Corporate and regulatory engagement

Industry collaboration

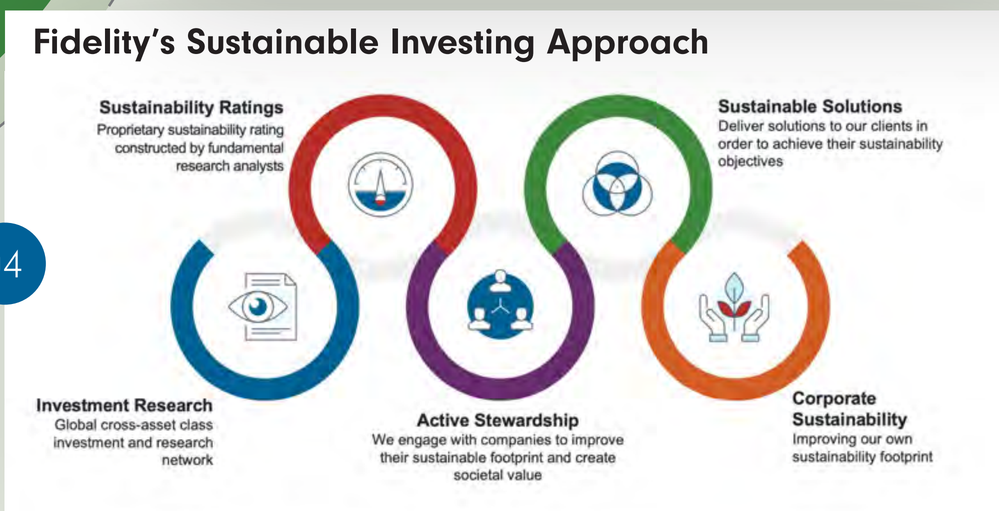
06


Top 3 ESG trends for 2021
Building Back Greener (restoring our natural ecosystems)
Climate change will return to the top of the political agenda in 2021
Climate change and biodiversity loss are systemic risks for society and investors
Investors must price natural capital and nature based risks correctly
Building Back Stronger (narrowing the social divide)
The pandemic has disproportionately impacted the vulnerable and widened structural inequality in society
Employee welfare and supply chain management have become critical success factors for companies
Building Back Inclusively (focusing on digital ethics)
Digital inclusion: more than 50% of the world has no access to the internet
Digital ethics: data privacy, cyber-security, online welfare, the spread of mis-information and ethical AI design in technology platforms

05


Fidelity Sustainability Ratings
Built using our fundamental platform
Fidelity Sustainability Rating
Why our own ratings?
Does not solely rely on public disclosures
More forward looking
Fundamental analysis
Allows fuller coverage
How we make them
Collaborative input across 180 equity and fixed income analysts
Rated relative to peer group on a standardised scale
Forward looking assessment of a company's ESG trajectory
Quantify impact on valuation
Ranked A – E
99 Sub-sectors
5 – 8 KPIs each

04


Fidelity's Sustainable Investing Approach
Sustainability Ratings
Proprietary sustainability rating constructed by fundamental research analysts
Sustainable Solutions
Deliver solutions to our clients in order to achieve their sustainability objectives
Investment Research
Global cross-asset class investment and research network
Active Stewardship
We engage with companies to improve their sustainable footprint and create societal value
Corporate Sustainability
Improving our own sustainability footprint

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.

David Barron
Director
Appointed 20 October 2020

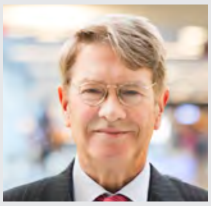
A M N

David Barron is Chairman of Dunedin Income Growth Investment Trust PLC and Premier Miton Group PLC. He is a Chartered Accountant. He is also a lay-member of the Council of Lancaster University. He was Chief Executive Officer of Miton Group, Head of Investment Trusts at JP Morgan Asset Management and, a Director of the Association of Investment Companies.

David Graham
Chairman of the Audit Committee
(since 19 May 2020)
Appointed 22 May 2018

A M N

David Graham is a non-executive Director of Templeton Emerging Markets Investment Trust PLC and JPMorgan China Growth & Income plc. He also serves on the Mauritian boards of DSP India Investment Fund and DSP India Fund. 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.



Philip Kay
Director
Appointed 29 October 2004
Retired 31 December 2020

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.

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

A M N

Sarah MacAulay is Chairman of Schroder Asian Total Return Investment Company PLC and JP Morgan Multi-Asset Trust PLC. She is also a non-executive Director of Aberdeen New Thai Investment 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.

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 independent, with the exception of Philip Kay due to his tenure. He stepped down from the Board on 31 December 2020.

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 2020.

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 (2019: same).

The Board reviews the Management Agreement at least annually and details are included in the Corporate Governance Statement on pages 35 and 36.

Management Fee

Since 1 July 2018, the Company has had a variable management fee agreement which comprises a base fee based on net assets and a positive or negative variable element. The previous base fee was based on gross assets, therefore, the current fee structure provides a significant reduction in fees based on the level of gearing. The base fee is 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 effective from 1 October 2018 so that a three month performance history was established on which the variable fee can 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 on a three year basis. The variable management fee is 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 £2,035,000 (2019: £1,226,000) and are disclosed in Note 4 on page 56. In addition, the Manager provides secretarial and administration services which for the reporting year were £50,000 (2019: £50,000) and are disclosed in Note 5 on page 56.

The Board

All Directors, with the exception of Sir Laurence Magnus and David Barron, served on the Board throughout the year ended 31 December 2020. In line with the Board's succession plan, Sir Laurence stepped down from the Board on 19 May 2020 and David Barron was appointed on 20 October 2020. Philip Kay stepped down from the Board on 31 December 2020. A brief description of all serving Directors as at 31 December 2020 is shown on page 28 and indicates their qualifications for Board membership.

In line with the Board's succession plan, David Robins will not be seeking re-election at the AGM on 18 May 2021. David Graham will be appointed as the Chairman to replace David Robins on 18 May 2021. David Barron will take over as Chairman of the Audit Committee at the same time.

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 12 months from the date of approving these Financial Statements. This conclusion also takes into account the Board's assessment of the risks arising from COVID-19 as set out in the Pandemic Risk statement in the Strategic Report on page 19. The prospects of the Company over a period longer than 12 months can be found in the Viability Statement on page 21.

Auditor's Appointment

A resolution to reappoint Ernst & Young LLP as Auditor to the Company will be proposed at the AGM on 18 May 2021.

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.

Directors' Report continued

Corporate Governance

The Corporate Governance Statement forms part of this report and can be found on pages 34 to 37.

Registrar, Custodian and Depositary Arrangements

The Company has appointed Link Group 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 56.

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 2020, the share capital of the Company was 136,161,695 ordinary shares (2019: 136,161,695) of which 5,606,769 shares (2019: 2,954,605) are held in Treasury. Shares in Treasury do not have voting rights, therefore, the total number of ordinary shares with voting rights was 130,554,926 (2019: 133,207,090).

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 Board's discount management policy can be found in the Chairman's Statement on page 2.

Share Issues

No ordinary shares were issued in the year to 31 December 2020 (2019: 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 18 May 2021 and resolutions to renew these authorities will be put to shareholders at this AGM.

Share Repurchases

In the reporting year, 2,652,164 (2019: 1,929,105) ordinary shares were repurchased for holding in Treasury. This represented 1.9% of issued share capital. Since the year end and as at the date of this report, a further 223,032 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 18 May 2021 and a resolution to renew the authority to repurchase 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 2019, 31 December 2020 and 28 February 2021.

Shareholders	28 February 2021 %	31 December 2020 %	31 December 2019 %
Lazard Asset Management	**18.6**	**18.6**	17.9
Wells Capital Management	**11.9**	**11.9**	11.6
City of London Investment Management	**7.4**	**7.7**	6.1
Hargreaves Lansdown	**7.2**	**7.3**	6.5
Fidelity Platform Investors	**7.3**	**7.3**	7.1
Wesleyan Assurance	**4.1**	**4.0**	3.9
Interactive Investor	**4.4**	**4.0**	3.0
1607 Capital Partners	**3.5**	**3.6**	9.4
Canaccord Genuity Wealth Management	**3.7**	**3.5**	2.9
Charles Stanley	**2.6**	**2.9**	3.4

Additional Information required in the Directors' Report
Information on proposed dividends, financial instruments and the disclosure on Streamlined Energy and Carbon Reporting (SECR) is set out in the Strategic Report on pages 17 to 27.

ANNUAL GENERAL MEETING – 18 MAY 2021

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 or other financial adviser authorised under the Financial Services and Markets Act 2000.

In response to the continuing widespread nature of COVID-19, the current Government guidance stipulates that large gatherings of people are prohibited. With this in mind and to fulfil the legal requirement to have an AGM, this year's AGM will be conducted as a closed session at the Company's registered office and will be restricted to the formal business of the meeting and voting on the resolutions therein.

Ahead of the AGM on 18 May 2021, an online presentation by the Chairman and the Portfolio Manager will be held at 9.30 am on 26 April 2021 which will cover a review of the year and the outlook for 2021. You will also have the opportunity to put your questions to both the Chairman and the Portfolio Manager live. Details will be made available nearer the time at **www.fidelity.co.uk/japan**. If anything changes then we will advise investors via the website. Copies of the Portfolio Manager's presentation can be requested by email at **investmenttrusts@fil.com** or in writing to the Secretary at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP. 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.

Protecting the health of all investors, workforce and officers must be paramount at the current time. We urge all shareholders to vote and 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), proxy forms are not provided, and you are advised to contact the company with which you hold your shares in order to lodge your voting instructions.

Fidelity Platform Investors – Voting at AGMs
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. As attendance in person is not possible based on current Government guidance, Fidelity Platform Investors are advised to vote online 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.

Paperless Proxy Voting
Link Group, the Registrar, introduced a paperless proxy voting process in 2018. However, in view of the public health impact of COVID-19 and your well-being as shareholders, and as attendance in person may not be possible at this year's AGM, we are sending a paper Proxy Form to all shareholders who hold shares on the main share register so that you are able to vote in advance of the meeting.

If you have sold, transferred or otherwise disposed of all your shares in the Company, you should pass this document, together with any accompanying documents, 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 18 May 2021, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 69 and 70, including the items of special business summarised below.

Authority to Allot Shares
Resolution 9 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,702,021. If passed, this resolution will enable the Directors to allot a maximum of 6,808,084 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company (including Treasury shares) as at 26 March 2021, and to impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter.
The Directors would not intend to use this power unless they considered that it was in the interests of shareholders to do so. Any shares issued would be at NAV per share or at a premium to NAV per share.

Authority to Disapply Pre-Emption Rights
Resolution 10 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities or sale of Treasury shares for cash up to an aggregate nominal value of £1,702,021 (including Treasury shares) (approximately 5% of the issued share capital of the Company as at 26 March 2021 and equivalent to 6,808,084 ordinary shares).

Authority to Repurchase Shares
Resolution 11 is a special resolution which renews the Company's authority to purchase up to 14.99% (19,536,750) of the ordinary shares in issue (excluding Treasury Shares) on 26 March 2021, 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.

Directors' Report continued

Proposed changes to the Company's Articles of Association

Resolution 12 is a special resolution regarding the adoption of new Articles of Association ("**New Articles of Association**") by the Company.

Summarised below are the principal changes proposed to be introduced through the adoption of the New Articles of Association by the Company. A copy of the proposed New Articles of Association showing all the changes as against the current version is available for inspection at **www.fidelity.co.uk/japan**, together with a copy of the current Articles of Association and a 'clean' copy of the New Articles of Association (which do not highlight the amendments), from the date of this report until the end of the AGM (and at the AGM itself for the duration of the meeting and for at least 15 minutes prior to the meeting). The documents are also available for inspection at Charles Russell Speechlys LLP, 5 Fleet Place, London EC4M 7RD until the close of the AGM. However, given the ongoing COVID-19 pandemic and related restrictions and attendance arrangements for this year's AGM, we would ask you to inspect the documents through the website rather than in person and to contact us by email at **investmenttrusts@fil.com** should you wish to inspect any documents in person.

Hybrid general meetings

The Company will continue to follow guidelines and consider the safety of those attending shareholder meetings during the pandemic but also wants to provide the very best experience for shareholders in the longer term and be mindful of potential future restrictions.

Once it becomes safe and practicable to hold physical meetings again, it is not proposed to pursue fully "virtual" meetings where there is no physical location that shareholders can attend and attendance is only through electronic means.

The Board value the opportunity to meet and exchange views with shareholders and a physical meeting will remain its default format as long as Government guidance permits it. However, the Board is also keen to provide additional virtual facilities for those shareholders who may not wish, or are unable, to attend AGMs in person.

It is therefore proposed to provide for the ability to hold "hybrid" meetings where there is a primary physical location with the facility for shareholders, who wish to do so, to attend through electronic means. However, it is the current expectation of the Board that "hybrid" meetings would only be used where a solely "physical" meeting is impracticable or unworkable.

The New Articles of Association permit, but do not require, the Company to hold "hybrid" general meetings. Further flexibility is also added to hold meetings across more than one physical location, but there would always be a primary physical location from which the chair of the meeting would conduct proceedings. This will facilitate wider attendance by shareholders, but with the continued option for shareholders to attend a "physical" meeting in person should they wish to do so.

Various consequential and related changes have been made throughout the New Articles of Association to reflect and facilitate these amendments.

Retirement of Directors at Annual General Meetings

In line with best practice and the UK Corporate Governance Code, for a number of years, all Directors, other than those very recently appointed or who will retire at the subsequent AGM, offer themselves for re-election at every AGM.

At present, this is not a requirement under the Company's current Articles of Association, which provide "retirement by rotation" provisions under which Directors, appointed since the previous AGM, who have held office for the previous two AGMs without being re-elected, or who have held office for nine or more years, are required to retire.

The New Articles of Association have been simplified to provide that all Directors retire at each AGM, but may offer themselves for re-election.

Regulatory restrictions and information requirements

Various international requirements for the exchange of information in relation to tax reporting have been brought in over recent years which the Company is required to comply with, such as pursuant to the U.S. Foreign Account Tax Compliance Act of 2010 (FATCA) and the OECD common reporting standard. For example, under the UK International Tax Compliance Regulations 2015, investment trust companies are required to provide information to HMRC on certain investors who purchase its shares and to provide information annually to the local tax authority on the tax residency of certain non-UK based shareholders.

The New Articles of Association therefore include provisions to give the ability to the Company to require shareholders to co-operate in respect of the exchange of information to allow the Company to comply with its obligations and avoid related penalties being imposed upon it (including potentially having to pay withholding tax to the US Internal Revenue Service). The New Articles of Association also update and clarify related provisions which provide for potentially onerous requirements affecting the Company as a result of international laws. In each case, the Company has powers to seek information and to procure or prevent the transfer of shares in order to avoid the impact of such penalties and/or onerous obligations being imposed upon it.

Dividend payment provisions

The provisions in relation to payment of dividends are being updated in the New Articles of Association to reflect the additional ways in which dividends may be paid, particularly electronically, and to specify that the default option for payment may be by direct payment into a bank account. The provisions dealing with non-payment have also been expanded and clarified in the New Articles of Association in respect of electronic payments.

Subscription Shares

The provisions setting out the rights and obligations attaching to the subscription shares issued in 2014 have been removed from the New Articles of Association, as there are no longer any Subscription Shares in issue.

Administrative updates

These include a specific provision for the certification of documents on behalf of the Company, updating provisions in relation to summary financial statements (now superseded by the ability to send strategic reports and supplementary material) and various minor clarificatory amendments.

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
26 March 2021

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 and 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 41, 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 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 has no executive directors, employees or internal operations. All of its day to day management and administrative functions are delegated to the Manager.

THE BOARD

Board Composition

As at the date of this report, the Board, chaired by David Robins, consists of five non-executive Directors and will be a Board of four non-executive Directors when David Robins steps down from the Board at the conclusion of the AGM on 18 May 2021.

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

Biographical details of all Directors are on page 28.

Board Responsibilities

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

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

All Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively. The Directors are 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 the next page gives the attendance record for the meetings held in the reporting year. The Portfolio Manager and key representatives of the Manager also attend these meetings. Regular Board meetings exclude ad hoc meetings for formal approvals.

Between these meetings there is regular contact with the Manager and other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred to them by the Board and the Chairman is in contact with the other Directors regularly without representatives of the Manager being present.

In addition to the formal Board and Committee meetings, the Board undertakes 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 COVID-19, the trip scheduled for February 2020 was postponed and the next trip will take place when travel may be possible. In the meantime, as mentioned in the Chairman's statement on page 3, a number of virtual meetings were held in the week commencing 8 March 2021 to assist the Board in its due diligence of operations in Japan.

Company Secretary

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

	Regular Board Meetings	Nomination Committee Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
David Robins	5/5	1/1	3/3	1/1
David Barron[1]	1/1	1/1	1/1	n/a
David Graham	5/5	1/1	3/3	1/1
Philip Kay	5/5	1/1	3/3	1/1
Sarah MacAulay	5/5	1/1	3/3	1/1
Sir Laurence Magnus[2]	3/3	n/a	1/1	1/1
Dominic Ziegler	5/5	1/1	3/3	1/1

1 Appointed on 20 October 2020.
2 Retired on 19 May 2020.

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 operations and administration functions of the Company, together with a summary of their duties and responsibilities to the Company. Directors also receive regular briefings from, 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 current Directors, with the exception of David Robins, will be standing for re-election at this year's AGM and are listed, together with their biographical details, on page 28. David Barron being newly appointed will stand for election. 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 18 May 2021.

Board Evaluation
An annual evaluation of the Board, its Directors and its Committees is undertaken. The Chairman leads the assessment of the individual Directors' contributions to the Board and the Senior Independent Director is responsible for evaluating the performance of the Chairman. 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 its Committees 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 2020 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 39 and 40.

BOARD COMMITTEES
The Board has three Committees, as set out below and on the next page, 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.fidelity.co.uk/japan**.

Audit Committee
The Audit Committee is chaired by David Graham and consists of all of the Directors. Full details are disclosed in the Report of the Audit Committee on pages 42 to 44.

Management and 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.

Corporate Governance Statement continued

Manager's Reappointment
Ahead of the AGM, the Committee has reviewed the performance of the Manager and the current fee structure 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 2020 is in the Directors' Report on page 29.

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 from the widest possible pool of talent with due regard to the benefits of diversity, including a range of skills, knowledge, experience, perspectives and backgrounds, including gender. New Directors are appointed on the basis of merit. External consultants are used to identify potential candidates. Fletcher Jones, which has no connection with the Company, was engaged to assist the Board in recruiting a new independent non-executive director to replace Philip Kay. As a result of this process, David Barron was appointed to the Board on 20 October 2020.

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 of each Director and concluded that each Director seeking election and re-election has been effective and continues to demonstrate commitment to their roles. This has been endorsed by the Board, which recommends their appointment and reappointment by shareholders at the AGM on 18 May 2021.

ACCOUNTABILITY AND AUDIT

Financial Reporting
Set out on page 41 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 45 to 49.

The Board has a responsibility to present fair, balanced and understandable annual and half-yearly financial statements. All such financial statements 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. In carrying out its review, the Audit Committee has regard to the activities of the Manager, the Manager's compliance and risk functions and the work carried out by the Independent Auditor and also includes consideration of 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 this is an effective ongoing process in order 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 2020 and up to the date of this report. This process is in accordance with the FRC's "Risk Management, Internal Control and Related Financial Business Reporting" guidance.

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

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

Responsibility as Institutional Shareholder
The Board has adopted the Manager's Principles of Ownership in relation to investments. These Principles include the pursuit of an active investment policy through portfolio management decisions, voting on resolutions at general meetings and maintaining a continuing dialogue with the management of investee companies. Fidelity is a signatory to the UK Stewardship Code 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 Board Directors, are available to meet with shareholders to discuss strategy and governance. In addition, the Portfolio Manager also meets with major shareholders and investors in the UK and Tokyo, although this has been impacted by COVID-19 during 2020. 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 73. The Company Secretary will attend to any enquiries promptly and ensure that they are directed to the Chairman, the Senior Independent Director or the Board as a whole, as appropriate.

Under normal circumstances the Board would encourage shareholders to attend the AGM. However, in response to the continuing widespread nature of COVID-19, the current Government guidance stipulates that large gatherings of people are prohibited. Protecting the health of all investors, workforce and officers must be paramount at the current time. With this in mind, this year's AGM will be conducted as a closed session at the Company's registered office and will be restricted to the formal business of the meeting and voting on the resolutions therein.

Ahead of the AGM on 18 May 2021, an online presentation by the Chairman and the Portfolio Manager will be held at 9.30 am on 26 April 2021 which will cover a review of the year and the outlook for 2021. You will also have the opportunity to put your questions to both the Chairman and the Portfolio Manager live. Details will be made available nearer the time at **www.fidelity.co.uk/japan**. We encourage all investors who have any questions or comments to contact the Secretary by email at **investmenttrusts@fil.com** or in writing to the Secretary at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP and we will respond in due course.

The Notice of Meeting on pages 69 to 71 sets out the business of the AGM and the special business resolutions are explained more fully on pages 31 to 33 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.fidelity.co.uk/japan**.

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

A special resolution to alter the Company's Articles of Association is being proposed at this year's AGM on 18 May 2021. Further details of the proposal can be found on pages 32 and 33 in the Directors' Report.

On behalf of the Board

David Robins
Chairman
26 March 2021

Directors' Remuneration Report

Chairman's Statement
The Directors' Remuneration Report for the year ended 31 December 2020 has been prepared in accordance with the Large & Medium sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 (the "Regulations"). As the Board is comprised entirely of non-executive Directors and has no chief executive and employees, many parts of the Regulations, in particular those relating to chief executive officer pay and employee pay, do not apply and are therefore, not disclosed in this report.

An ordinary resolution to approve the Directors' Remuneration Report will be put to shareholders at the AGM on 18 May 2021. 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 45 to 49.

Directors' Remuneration
The annual fee structure since 1 January 2020 is as follows: Chairman: £37,000 (2019: £35,000); Chairman of the Audit Committee: £30,000 (2019: £26,500); and Directors: £26,000 (2019: £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 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 19 May 2020, is set out below.

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 19 May 2020 with 99.73% of votes cast in favour, 0.26% of votes cast against and 0.01% of votes withheld. The next vote will be put to shareholders at the AGM in 2023. The Policy has been followed throughout the year ended 31 December 2020 and up to the date of this report.

Voting on the Directors' Remuneration Report
At the AGM held on 19 May 2020, 99.75% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 December 2019, 0.24% of votes were cast against and 0.01% of votes were withheld.

The Directors' Remuneration Report for the year ended 31 December 2020 will be put to shareholders at the AGM on 18 May 2021, and the votes cast will be disclosed on the Company's pages of the Manager's website at: **www.fidelity.co.uk/japan**.

Single Total Figure of Directors' Remuneration
The single total aggregate Directors' remuneration for the reporting year was £160,200 (2019: £157,500). No taxable expenses were claimed by any Director in attending to the affairs of the Company. Directors' fees are disclosed in the table on the next page.

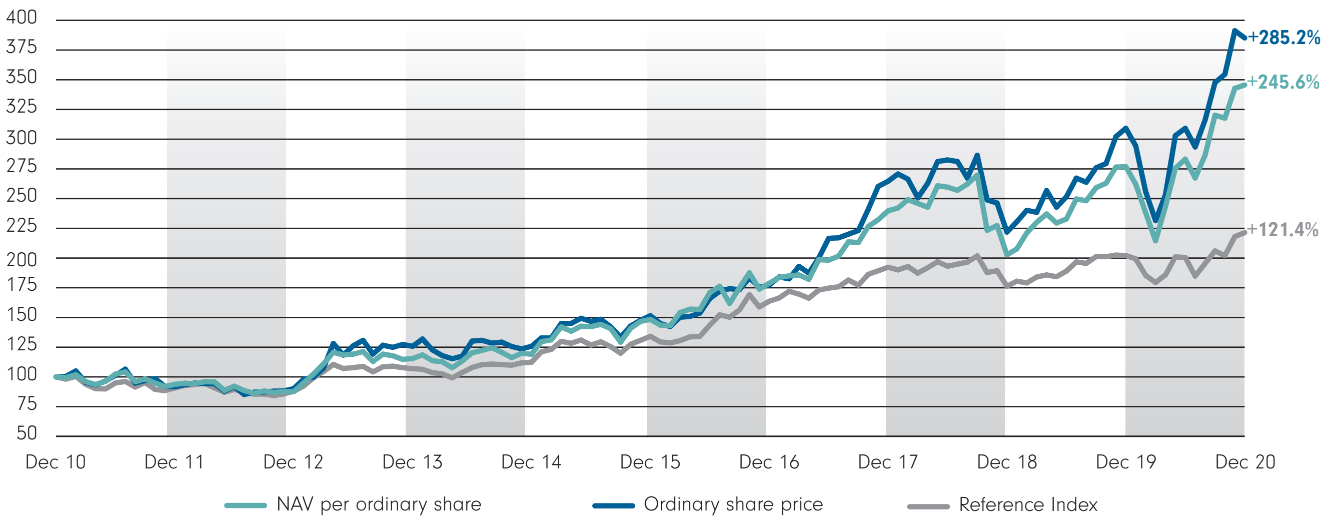
	2021 Projected fees (£)	**2020 Fees (Audited) (£)**	**2020 Taxable Expenses (Audited) (£)**	**2020 Total (Audited) (£)**	2019 Fees (Audited) (£)	2019 Taxable Expenses (Audited) (£)	2019 Total (Audited) (£)
Remuneration of Directors							
David Robins[1]	14,000	**37,000**	**–**	**37,000**	35,000	–	35,000
David Barron[2]	28,500	**5,200**	**–**	**5,200**	n/a	n/a	n/a
David Graham[3]	34,400	**28,500**	**–**	**28,500**	24,000	–	24,000
Philip Kay[4]	n/a	**26,000**	**–**	**26,000**	24,000	–	24,000
Sarah MacAulay	26,000	**26,000**	**–**	**26,000**	24,000	–	24,000
Sir Laurence Magnus[5]	n/a	**11,500**	**–**	**11,500**	26,500	–	26,500
Dominic Ziegler	26,000	**26,000**	**–**	**26,000**	24,000	–	24,000
Total	128,900	**160,200**	**–**	**160,200**	157,500	–	157,500

1 Retiring on 18 May 2021.
2 Appointed on 20 October 2020. 2021 fees pro-rated to reflect becoming Chairman of the Audit Committee from 18 May 2021.
3 2021 fees pro-rated to reflect becoming Chairman from 18 May 2021.
4 Retired on 31 December 2020.
5 Retired on 19 May 2020.

Expenditure on Directors' Remuneration and Distributions to Shareholders
As the Company has no employees and currently pays no dividends, 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 2020.

Total return performance for the ten years to 31 December 2020



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

Directors' Remuneration Report continued

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 2020	31 December 2019	Change during year
David Robins	**37,000**	37,000	–
David Barron[1]	**19,366**	n/a	19,366
David Graham[2]	**67,000**	38,394	28,606
Philip Kay	**12,094**	12,094	–
Sarah MacAulay[3]	**122,350**	61,350	61,000
Sir Laurence Magnus[4]	**n/a**	48,000	–
Dominic Ziegler	**16,000**	16,000	–

1 Purchase of shares by self. Appointed on 20 October 2020.
2 Purchase of shares by self and connected persons.
3 Purchase of shares by self and connected persons. An additional 31,195 shares were purchased on 25 January 2021.
4 Retired on 19 May 2020.

All shareholdings remain unchanged as at the date of this report, with the exception of Sarah MacAulay who purchased 31,195 shares on 25 January 2021.

On behalf of the Board

David Robins
Chairman
26 March 2021

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.fidelity.co.uk/japan**. 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 26 March 2021 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 2020.

Composition

The members of the Committee as at the date of this report are myself as Chairman and all of the other Directors, with the exception of Philip Kay who stepped down from the Board on 31 December 2020. David Robins is also 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 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 of the Committee

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.fidelity.co.uk/japan**. These duties include:

- Establishing with the Auditor the nature and scope of the audit, reviewing the Auditor's quality control procedures and reporting, the effectiveness of the audit process and the Auditor's independence and objectivity with particular regard to the provision of non-audit services;

- Responsibility for making recommendations on the appointment, reappointment and removal of the Auditor;

- Reviewing the effectiveness of the Company's risk management and internal controls systems (including financial, operational and compliance controls), considering the scope of the work undertaken by the Manager's internal audit department, 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 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 by the Committee

Since the date of the last Annual Report (7 April 2020), the Committee has met three times and the Auditor attended all of the meetings.

The following matters were 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 reporting;
- The Company's revenue and expenses forecasts and its Balance Sheet; and
- The Committee's Terms of Reference.

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

July 2020	• Update from the Auditor on additional audit work required as a result of COVID-19 and fees in relation to this • The Half-Yearly Report and Financial Statements and recommendation of its approval to the Board • The Going Concern Statement
October 2020	• The Auditor's engagement letter and audit plan for the Company's year ending 31 December 2020 • The Manager's internal audit reporting, including review of the Internal Audit plan • Cybersecurity reporting and the controls in place to mitigate the risks of potential threats and attacks • The Manager's business continuity risks and the ability to carry on operating from the disruption caused by COVID-19 • Review of Fidelity's AAF Reports (assurance reports on internal controls) • Review of outsourced third party service providers' control reports • Consideration of principal and emerging risks
March 2021	• The Auditor's findings from the audit of the Company • The Auditor's performance, independence and reappointment • Compliance with Corporate Governance and regulatory requirements • The Annual Report and Financial Statements and recommendation of its approval to the Board following a review and conclusion by the Committee that it is Fair, Balanced and Understandable • The Viability and Going Concern Statements, including the impact of COVID-19 on the Company's performance, prospects and operations

Annual Report and Financial Statements
The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities can be found on page 41. 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 53. The Manager provided detailed revenue forecasts which the Committee reviewed and sought explanations for any significant variances to these forecasts. The revenue forecast reviews also included the impact of COVID-19 on dividends. The Committee also considered the allocation of special dividends between revenue and capital. The Committee reviewed the internal audit and the compliance monitoring reports received from the Manager, including the AAF controls report prepared by PricewaterhouseCoopers LLP on behalf of the Manager, to satisfy itself that adequate systems were in place for properly recording the Company's investment income. The Committee also reviewed the reports provided by the Auditor on its work on the recognition of investment income.

Report of the Audit Committee continued

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 54. The Committee took comfort from the Depositary's regular oversight reports that investment related activities were conducted in accordance with the Company's investment policy. The Committee received reports from the Manager and the Depositary that the valuation, existence and ownership of investments had been verified. The Committee's review included the impact of COVID-19 on the Company's portfolio from market volatility. The Committee also reviewed the reports provided by the Auditor on its work on the valuation, existence and ownership of the Company's investments, including the derivative investments.

Independence and Effectiveness of the Audit Process
Ernst & Young LLP acted as the Company's Auditor for the year ended 31 December 2020. Fees paid to the Auditor for the audit of the Company's Financial Statements are disclosed in Note 5 on page 56.

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

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

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

- The fulfilment by the Auditor of the agreed audit plan;
- The audit findings report issued by the Auditor on the audit of the Annual Report and Financial Statements for the year ended 31 December 2020; 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 fifth year that the audit partner, Matthew Price, has been in place. A successor partner has been identified as Mr Price's replacement. 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.

David Graham
Chairman of the Audit Committee
26 March 2021

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

Opinion
We have audited the Financial Statements of Fidelity Japan Trust PLC for the year ended 31 December 2020 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 2020 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. 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 going concern
In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of the Company's going concern assessment process and engaged with the Directors and the Company Secretary to determine if all key factors were considered in their assessment.
- We inspected the Directors' assessment of going concern, including the revenue forecast, for the period to 31 March 2022. In preparing the revenue forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- We reviewed the factors and assumptions, including the impact of the COVID-19 pandemic, as applied to the revenue forecast. We considered the appropriateness of the methods used to calculate the forecast and determined, through testing of the methodology and calculations, that the methods utilised were appropriate to be able to make an assessment for the Company.
- We considered the mitigating factors included in the revenue forecasts that are within the control of the Company. We reviewed the Company's assessment of the liquidity of investments held and evaluated the Company's ability to sell those investments to cover the working capital requirements should its revenue decline significantly.
- We reviewed the Company's going concern disclosures included in the Annual Report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 31 March 2022 which is at least twelve months from when the Financial Statements are authorised for issue.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Income Statement. • Incorrect valuation or ownership of the investment portfolio and derivatives.
Materiality	• Overall materiality of £3.09m which represents 1% of the net asset value of the Company as at 31 December 2020.

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

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. All audit work was performed directly by the audit engagement team.

Key audit matters
Key audit matters are those matters that, in our professional judgment, 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 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 43); Accounting policies (page 53); and Note 3 of the Financial Statements (page 55).* The Company has reported revenue of £3.29m (2019: £2.91). During the year, the Company received two special dividends amounting to £0.005m (2019: £0.02m), both of which were classified as revenue. There is a risk of incomplete or inaccurate recognition of revenue through failure to recognise proper income entitlements or to apply an appropriate accounting treatment. In addition to the above, the Directors are required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement.	We performed the following procedures: • Walked through the revenue recognition and classification of special dividends processes and obtained an understanding of the design and implementation of the controls; • For a sample of dividends received, we recalculated the income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend rate as agreed to an independent data vendor. We agreed a sample to bank statements and, where applicable, we also agreed the exchange rates to an external source; • For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the entitlement arose prior to 31 December 2020. We agreed the dividend rate to corresponding announcements made by the investee company, recalculated the amount receivable and agreed the subsequent cash receipts to post-year end bank statements where possible; • To test completeness of recorded income, we tested that all expected dividends for a sample of investee companies had been recorded as income with reference to investee company announcements obtained from an independent data vendor; and • Only two special dividends were received during the year. Although below our testing threshold, we have reviewed the underlying circumstances and motives for the payments to support the classification as revenue.	The results of our procedures identified no material misstatement in relation to incomplete or inaccurate revenue recognition, including incorrect classification of special dividends as revenue or capital in the Income Statement.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation or ownership of the investment portfolio and derivatives *Refer to the Report of the Audit Committee (page 44); Accounting policies (page 54); and Notes 9 and 10 of the Financial Statements (pages 58 and 59).* The valuation of investments and derivatives as at the year-end was £304.84m (2019: £251.07m) comprising £303.00m (2019: £249.10m) of investments, and £1.84m of net derivatives (2019: £1.97m). The Company's investment of £303.00m includes the three unlisted investments (2019: two), with a total value of £5.50m (2019: 3.68m) of which Coconala valued at £3.16m (2019: £2.77m), represented the largest holding. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, including incorrect application of exchange rates, or failure to maintain proper legal title to the investments held by the Company could have a significant impact on the portfolio valuation and return generated for shareholders. The fair value of the listed investments is determined using quoted market prices at close of business on the reporting date. The valuation of the unlisted investments is approved by the Manager's Fair Value Committee, which also considers the work of an external specialist in determining the fair values assigned to the unlisted investments.	We performed the following procedures: • Walked through the investment valuation process; • For all listed investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year-end; • Obtained share purchase agreement for one newly acquired unlisted investment during the year and agreed consideration paid to bank statement; • Obtained the valuation reports prepared by the Manager's external specialist and considered any assumptions and judgments made by the Fair Value Committee in determining the fair value of material unlisted securities held by the Company at the year-end; • Reviewed the valuation methodology used by the Fair Value Committee of the Manager and confirmed that this was performed in accordance with FRS 102 and International Private Equity and Venture Capital Valuation Guidelines; • Inspected the stale pricing report to identify prices that have not changed and verified whether the listed price is an appropriate measure of fair value; and • Compared the Company's investment holdings at 31 December 2020 to independent confirmation received directly from the Company's Custodian, Depositary and Brokers, testing any reconciling items to supporting documentation.	The results of our procedures identified no material misstatement in relation to incorrect valuation or ownership of the investment portfolio and derivatives.

Our Key audit matters remain unchanged from the prior year.

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 £3.09m (2019: £2.52m), which is 1% (2019: 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.

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £2.32m (2019: £1.89m). 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 £0.15m (2019: £0.13m), which is set at 5% (2019: 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 31, other than the Financial Statements and our Auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

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.

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 themselves. 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.

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

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 29;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 21;
- Directors' statement on fair, balanced and understandable set out on page 41;
- The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 18;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 36; and
- The section describing the work of the Audit Committee set out on page 42.

Responsibilities of Directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 41, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company 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 discussions with the Audit Committee and the Company Secretary and a 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 or inaccurate income recognition through incorrect classification of special dividends as revenue or capital in the Income Statement. 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. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the Financial Statements to ensure compliance with the reporting requirements of the Company.

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
- Following the recommendation of the Audit Committee, 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 5 years, covering the years ending 31 December 2016 to 31 December 2020.

- 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
26 March 2021

Income Statement
for the year ended 31 December 2020

		Year ended 31 December 2020			Year ended 31 December 2019		
	Notes	**Revenue £'000**	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Gains on investments	9	**–**	**38,535**	**38,535**	–	52,982	52,982
Gains on derivative instruments	10	**–**	**22,360**	**22,360**	–	14,155	14,155
Income	3	**3,287**	**–**	**3,287**	2,906	–	2,906
Investment management fees	4	**(358)**	**(1,677)**	**(2,035)**	(1,555)	329	(1,226)
Other expenses	5	**(597)**	**(8)**	**(605)**	(600)	–	(600)
Foreign exchange (losses)/gains		**–**	**(475)**	**(475)**	–	16	16
Net return on ordinary activities before finance costs and taxation		**2,332**	**58,735**	**61,067**	751	67,482	68,233
Finance costs	6	**(26)**	**(104)**	**(130)**	(93)	–	(93)
Net return on ordinary activities before taxation		**2,306**	**58,631**	**60,937**	658	67,482	68,140
Taxation on return on ordinary activities	7	**(252)**	**–**	**(252)**	(261)	–	(261)
Net return on ordinary activities after taxation for the year		**2,054**	**58,631**	**60,685**	397	67,482	67,879
Return per ordinary share	8	**1.56p**	**44.53p**	**46.09p**	0.29p	50.23p	50.52p

The Company does not have any other comprehensive income. Accordingly the net return on ordinary activities after taxation for the 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.

The Notes on pages 53 to 66 form an integral part of these Financial Statements.

Statement of Changes in Equity
for the year ended 31 December 2020

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total shareholders' funds £'000
Total shareholders' funds at 31 December 2019		**34,041**	**20,722**	**2,767**	**52,815**	**156,520**	**(14,374)**	**252,491**
Repurchase of ordinary shares	13	**–**	**–**	**–**	**(4,370)**	**–**	**–**	**(4,370)**
Net return on ordinary activities after taxation for the year		**–**	**–**	**–**	**–**	**58,631**	**2,054**	**60,685**
Total shareholders' funds at 31 December 2020		**34,041**	**20,722**	**2,767**	**48,445**	**215,151**	**(12,320)**	**308,806**
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

The Notes on pages 53 to 66 form an integral part of these Financial Statements.

Balance Sheet

as at 31 December 2020
Company number 2885584

	Notes	2020 £'000	2019 £'000
Fixed assets			
Investments	9	**303,002**	249,099
Current assets			
Derivative instruments	10	**1,932**	3,048
Debtors	11	**668**	899
Cash collateral held with brokers	16	**21**	–
Cash at bank		**4,336**	1,196
		6,957	5,143
Current liabilities			
Derivative instruments	10	**(91)**	(1,075)
Other creditors	12	**(1,062)**	(676)
		(1,153)	(1,751)
Net current assets		**5,804**	3,392
Net assets		**308,806**	252,491
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	**48,445**	52,815
Capital reserve	14	**215,151**	156,520
Revenue reserve	14	**(12,320)**	(14,374)
Total shareholders' funds		**308,806**	252,491
Net asset value per ordinary share	15	**236.53p**	189.55p

The Financial Statements on pages 50 to 66 were approved by the Board of Directors on 26 March 2021 and were signed on its behalf by:

David Robins
Chairman

The Notes on pages 53 to 66 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 October 2019. 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 Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of these Financial Statements. In making their assessment the Directors have reviewed income and expense projections, reviewed the liquidity of the investment portfolio and considered the Company's ability to meet liabilities as they fall due. This conclusion also takes into account the Director's assessment of the continuing risks arising from COVID-19.

The Company's Going Concern Statement in the Directors' Report on page 29 takes account of all events and conditions up to the date of approval of these Financial Statements.

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 and are charged as follows:

- With effect from 1 January 2020, the base investment management fee is allocated 20% to revenue and 80% to capital to reflect the Company's focus on capital growth to generate returns. Prior to 1 January 2020, the base investment management fee was allocated 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; and
- All other expenses are allocated in full to revenue with the exception of those directly attributable to share issues or other capital events.

Notes to the Financial Statements continued

2 Accounting Policies continued

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 collateral, bank overdrafts and interest paid on long CFDs, which are accounted for on an accruals basis. With effect from 1 January 2020, finance costs are allocated 20% to revenue and 80% to capital to reflect the Company's focus on capital growth to generate returns. Prior to 1 January 2020, finance costs were charged in full to revenue.

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; and

- Unlisted investments are not quoted, or are not frequently traded, and are stated at the Directors best estimate of fair value. The Manager's Fair Value Committee ('FVC'), which is independent of the Portfolio Manager's team, meets quarterly to determine the fair value of unlisted investments. They review the input received from the Fidelity analyst that covers the company and valuation reports from a third party specialist. The FVC 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 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, 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 on behalf of brokers as collateral against open derivative contracts. These are carried at amortised cost.

n) Other creditors
Other creditors include securities purchased for future settlement, investment management fees 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;
- With effect from 1st January 2020, 80% of base investment management fees and finance costs;
- Variable investment management fees; and
- Other expenses which are capital in nature.

As a result of technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/17BL, the determination of realised profits and losses in the context of distributions under the Companies Act 2006, states that 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 were considered to be readily convertible to cash, with the exception of the level 3 investments which had unrealised investment holding losses of £54,000 (2019: unrealised foreign exchange losses of £180,000). See Note 16 on pages 64 to 66 for further details on the level 3 investments.

3 Income

	Year ended 31.12.20 £'000	Year ended 31.12.19 £'000
Investment income		
Overseas dividends	**2,523**	2,607
Derivative income		
Dividends received on long CFDs	**764**	299
Total income	**3,287**	2,906

No special dividends have been recognised in capital during the reporting year (2019: nil).

Notes to the Financial Statements continued

4 Investment Management Fees

	Year ended 31 December 2020			Year ended 31 December 2019		
	Revenue[1] £'000	**Capital[1] £'000**	**Total £'000**	Revenue[1] £'000	Capital[1] £'000	Total £'000
Investment management fees – base	**358**	**1,429**	**1,787**	1,555	–	1,555
Investment management fees – variable[2]	**–**	**248**	**248**	–	(329)	(329)
	358	**1,677**	**2,035**	1,555	(329)	1,226

1 As disclosed in Note 2, base investment management fees for the year ended 31 December 2020 were charged 20% to revenue and 80% to capital. For the year ended 31 December 2019, base investment management fees were charged 100% to revenue.

2 For the calculation of the variable management fee element, the Company's NAV return was compared to the Reference Index return for the period from 1 July 2018 to the relevant reporting dates. The NAV has outperformed the Reference Index and therefore there is a charge to the Company for the current year. In the prior year the NAV underperformed the Reference Index and therefore there was 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.

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

Further details of the terms of the Management Agreement are given in the Directors' Report on page 29.

5 Other Expenses

	Year ended 31.12.20 £'000	Year ended 31.12.19 £'000
Allocated to revenue:		
AIC fees	**15**	17
Secretarial and administration fees payable to the Investment Manager	**50**	50
Custody fees	**23**	22
Depositary fees	**25**	21
Directors' expenses	**30**	42
Directors' fees[1]	**160**	158
Legal and professional fees	**67**	61
Marketing expenses	**97**	101
Printing and publication expenses	**55**	64
Registrars' fees	**25**	21
Other expenses	**16**	14
Fees payable to the Company's Independent Auditor for the audit of the Financial Statements	**34**	29
	597	600
Allocated to capital:		
Legal and professional fees - unlisted investments	**8**	–
Other expenses	**605**	600

1 Details of the breakdown of Directors' fees are provided in the Directors' Remuneration Report on page 39.

6 Finance Costs

	Year ended 31 December 2020			Year ended 31 December 2019		
	Revenue[1] £'000	**Capital[1] £'000**	**Total £'000**	Revenue[1] £'000	Capital[1] £'000	Total £'000
Interest paid on long CFDs	**20**	**79**	**99**	86	–	86
Interest paid on collateral and bank overdrafts	**6**	**25**	**31**	7	–	7
	26	**104**	**130**	93	–	93

1 As disclosed in Note 2, finance costs for the year ended 31 December 2020 were charged 20% to revenue and 80% to capital. For the year ended 31 December 2019, finance costs were charged 100% to revenue.

7 Taxation on Return on Ordinary Activities

	Year ended 31.12.20 £'000	Year ended 31.12.19 £'000
a) Analysis of the taxation charge for the year		
Overseas taxation	**252**	261
Taxation charge for the year (see Note 7b)	**252**	261

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% (2019: 19.00%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	Year ended 31.12.20 £'000	Year ended 31.12.19 £'000
Net return on ordinary activities before taxation	**60,937**	68,140
Net return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19.00% (2019: 19.00%)	**11,578**	12,947
Effects of:		
Capital gains not taxable[1]	**(11,480)**	(12,759)
Income not taxable	**(479)**	(495)
Expenses not deductible	**19**	1
Excess management expenses not utilised	**362**	306
Overseas taxation	**252**	261
Taxation charge for the year (see Note 7a)	**252**	261

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 £5,613,000 (2019: £4,698,000), in respect of excess expenses of £29,543,000 (2019: £27,638,000) has not been recognised as it is unlikely that there will be sufficient future profits to utilise these expenses.

Notes to the Financial Statements continued

8 Return per Ordinary Share

	Year ended 31.12.20	Year ended 31.12.19
Revenue return per ordinary share	**1.56p**	0.29p
Capital return per ordinary share	**44.53p**	50.23p
Total return per ordinary share	**46.09p**	50.52p

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

	£'000	£'000
Net revenue return on ordinary activities after taxation	**2,054**	397
Net capital return on ordinary activities after taxation	**58,631**	67,482
Net total return on ordinary activities after taxation	**60,685**	67,879
	Number	Number
Weighted average number of ordinary shares held outside Treasury	**131,658,973**	134,354,398

9 Investments

	2020 £'000	2019 £'000
Listed investments	**297,505**	245,423
Unlisted investments	**5,497**	3,676
Investments at fair value	**303,002**	249,099
Opening book cost	**192,261**	171,050
Opening investment holding gains	**56,838**	14,937
Opening fair value	**249,099**	185,987
Movements in the year		
Purchases at cost	**171,488**	134,440
Sales - proceeds	**(156,120)**	(124,310)
Gains on investments	**38,535**	52,982
Closing fair value	**303,002**	249,099
Closing book cost	**226,195**	192,261
Closing investment holding gains	**76,807**	56,838
Closing fair value	**303,002**	249,099

The Company received £156,120,000 (2019: £124,310,000) from investments sold in the year. The book cost of these investments when they were purchased was £137,554,000 (2019: £113,229,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Investment transaction costs

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

	Year ended 31.12.20 £'000	Year ended 31.12.19 £'000
Purchases transaction costs	**72**	52
Sales transaction costs	**60**	55
	132	107

The portfolio turnover for the year was 66.9% (2019: 68.7%). The portfolio turnover rate measures the Company's trading activity. It is calculated by taking the average of the total amount of securities purchased and the total amount of the securities sold in the reporting year divided by the average fair value of the investment portfolio of the Company.

10 Derivative Instruments

	Year ended 31.12.20 £'000	Year ended 31.12.19 £'000
Gains on derivative instruments		
Gains on long CFD positions closed	**22,492**	5,922
Movement in investment holding (losses)/gains on long CFDs	**(132)**	8,233
	22,360	14,155

Derivative instruments recognised on the Balance Sheet

	2020		2019	
	Fair value £'000	**Portfolio exposure £'000**	Fair value £'000	Portfolio exposure £'000
Derivative instrument assets – long CFDs	**1,932**	**71,273**	3,048	39,975
Derivative instrument liabilities – long CFDs	**(91)**	**7,013**	(1,075)	6,286
	1,841	**78,286**	1,973	46,261

11 Debtors

	2020 £'000	2019 £'000
Securities sold for future settlement	**404**	621
Accrued income	**166**	205
Other debtors and prepayments	**98**	73
	668	899

12 Other Creditors

	2020 £'000	2019 £'000
Securities purchased for future settlement	**689**	385
Creditors and accruals	**373**	291
	1,062	676

Notes to the Financial Statements continued

13 Share Capital

	2020 Number of shares	2020 £'000	2019 Number of shares	2019 £'000
Issued, allotted and fully paid				
Ordinary shares of 25 pence each held outside Treasury				
Beginning of the year	**133,207,090**	**33,302**	135,136,195	33,784
Ordinary shares repurchased into Treasury	**(2,652,164)**	**(663)**	(1,929,105)	(482)
End of the year	**130,554,926**	**32,639**	133,207,090	33,302
Issued, allotted and fully paid				
Ordinary shares of 25 pence each held in Treasury*				
Beginning of the year	**2,954,605**	**739**	1,025,500	257
Ordinary shares repurchased into Treasury	**2,652,164**	**663**	1,929,105	482
End of the year	**5,606,769**	**1,402**	2,954,605	739
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 2,652,164 ordinary shares (2019: 1,929,105 shares) and held them in Treasury. The £4,370,000 (2019: £2,918,000) cost of repurchase was charged to the other reserve.

14 Capital and Reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total shareholders' funds £'000
At 1 January 2020	**34,041**	**20,722**	**2,767**	**52,815**	**156,520**	**(14,374)**	**252,491**
Gains on investments (see Note 9)	–	–	–	–	**38,535**	–	**38,535**
Gains on derivative instruments (see Note 10)	–	–	–	–	**22,360**	–	**22,360**
Foreign exchange losses	–	–	–	–	**(475)**	–	**(475)**
Investment management fees (see Note 4)	–	–	–	–	**(1,677)**	–	**(1,677)**
Other expenses (see Note 5)	–	–	–	–	**(8)**	–	**(8)**
Finance costs (see Note 6)	–	–	–	–	**(104)**	–	**(104)**
Revenue return on ordinary activities after taxation for the year	–	–	–	–	–	**2,054**	**2,054**
Repurchase of ordinary shares (see Note 13)	–	–	–	**(4,370)**	–	–	**(4,370)**
At 31 December 2020	**34,041**	**20,722**	**2,767**	**48,445**	**215,151**	**(12,320)**	**308,806**

The capital reserve balance at 31 December 2020 includes investment holding gains on investments of £76,807,000 (2019: gains of £56,838,000) as detailed in Note 9 above. See Note 2 (p) above for further details. The capital reserve is distributable by way of dividend. The revenue reserve could be distributed by way of dividend if it were not in deficit.

15 Net Asset Value per Ordinary Share

	2020	2019
Total shareholders' funds	£308,806,000	£252,491,000
Ordinary shares held outside of Treasury at year end	130,554,926	133,207,090
Net asset value per ordinary share	236.53p	189.55p

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.

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, economic, social and governance (ESG), 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 18 to 21.

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. 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 any increases in yen interest rates associated with the funding of the long CFDs.

Notes to the Financial Statements continued

16 Financial Instruments continued

Interest rate risk exposure

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

	2020 £'000	2019 £'000
Exposure to financial instruments that bear interest		
Long CFDs – Portfolio exposure less fair value	**76,445**	44,288
Exposure to financial instruments that earn interest		
Cash collateral held with brokers	**21**	–
Cash at bank	**4,336**	1,196
	4,357	1,196
Net exposure to financial instruments that bear interest	**72,088**	43,092

Foreign currency risk

The Company's net return on ordinary activities after taxation for the year and its net assets may be affected by foreign exchange movements because the Company has income and assets which are denominated in yen whereas the Company's functional currency is UK sterling. The Company may also be subject to short term exposure from exchange rate movements, for example, between the date when an investment is purchased or sold and the date when settlement of the transaction occurs. The Company does not hedge the 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	2020 Total £'000
Japanese yen	**303,002**	**78,286**	**591**	**4,336**	**386,215**

1 Debtors include cash collateral held with brokers and excludes other debtors and prepayments of £98,000 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	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 exposure of financial liabilities
The currency profile of these financial liabilities is shown below:

Currency	Other creditors £'000	2020 Total £'000
Japanese yen	**689**	**689**

Currency	Other creditors £'000	2019 Total £'000
Japanese yen	385	385

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 2020, the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £91,000 (2019: £1,075,000) and other creditors of £1,062,000 (2019: £676,000).

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 2020, £1,082,000 (2019: £1,578,000) 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. £21,000 (2019: £nil), shown as cash collateral held with brokers on the Balance Sheet, was held by the Company in a segregated collateral account on behalf of the brokers, to reduce the credit risk exposure of the Company's net unrealised losses on derivative positions. This collateral comprised of: J.P. Morgan Securities plc £21,000 (2019: £nil) in cash denominated in Japanese yen.

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.

Notes to the Financial Statements continued

16 Financial Instruments continued

Derivative instrument 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 2020, 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 £180,000 (2019: decreased the return and the net assets of the Company by £108,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

Based on the financial instruments held and currency exchange rates at 31 December 2020, 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 £35,047,000 (2019: decreased the Company's net return and decreased the net assets by £26,999,000). 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 £42,836,000 (2019: increased the net return and increased the net assets by £32,999,000).

Other price risk – exposure to investments sensitivity analysis

Based on the investments held and share prices at 31 December 2020, 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 £30,300,000 (2019: increased the Company's net return and increased the net assets by £24,910,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Other price risk – net exposure to derivative instruments sensitivity analysis

Based on the long CFDs held and share prices at 31 December 2020, 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 £7,829,000 (2019: increased the Company's net return and increased the net assets by £4,626,000). 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 inputs other than quoted prices included in level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly
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**	**2020 Total £'000**
Investments	**297,505**	**–**	**5,497**	**303,002**
Derivative instrument assets	**–**	**1,932**	**–**	**1,932**
	297,505	**1,932**	**5,497**	**304,934**
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	**–**	**(91)**	**–**	**(91)**

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)

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

	Year ended 31.12.20 level 3 £'000	Year ended 31.12.19 level 3 £'000
Beginning of the year	**3,676**	–
Purchases at cost	**1,695**	3,856
Movement in investment holding gains	**226**	–
Foreign exchange movement	**(100)**	(180)
End of the year	**5,497**	3,676

The level 3 investments held and the basis for their valuation at 31 December 2020 are as follows:

Coconala

Coconala operates a website to buy and sell knowledge, skills and experience from users who are teaching in Japan. The valuation at 31 December 2020 is based on analysis of the Company's financial performance, benchmarking the position to a range of comparable market data and the outlook for 2021 given the impact of COVID-19. As at 31 December 2020, its fair value was £3,164,000 (2019: £2,774,000). Since the end of the year, Coconala's valuation has been increased. See Note 19 on page 66.

Notes to the Financial Statements continued

16 Financial Instruments continued

Innophys

Innophys develops elderly-care and welfare equipment designed to be used as an exoskeleton for physical support in Japan. The valuation at 31 December 2020 is based on the Company performance for 2020 and the outlook for 2021 given the impact of COVID-19. As at 31 December 2020, its fair value was £738,000 (2019: £902,000).

Moneytree

Moneytree develops personal asset management applications and provides household account book applications and expense payment applications in Japan. The valuation at 31 December 2020 is based on the cost of the investment when it was purchased in April 2020 with consideration as to whether there had been any significant developments impacting the performance and future prospects of the company. As at 31 December 2020, its fair value was £1,595,000.

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 52, 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 17. The principal risks and their management are disclosed in the Strategic Report on pages 18 to 21 and in Note 16 above.

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 current fee arrangements are given in the Directors' Report on page 29 and in Note 4 above. During the year, fees for portfolio management services of £2,035,000 (2019: £1,226,000) and secretarial and administration fees of £50,000 (2019: £50,000) were payable to FII. At the Balance Sheet date, fees for portfolio management services of £232,000 (2019: £160,000) and secretarial and administration fees of £13,000 (2019: £13,000) 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 £97,000 (2019: £101,000). At the Balance Sheet date, marketing services of £6,000 (2019: £11,000) were 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 39 and 40. In addition to the fees and taxable expenses disclosed in the Directors' Remuneration Report, £15,000 (2019: £15,000) of Employers' National Insurance Contributions was also paid by the Company. As at 31 December 2020, Directors' fees of £14,000 (2019: £14,000) were accrued and payable.

19 Post Balance Sheet Event

On 19 March 2021, following a successful initial public offering, Coconala listed on the Tokyo Stock Exchange. As a result, the valuation increased by 351% from £3,164,000 as at 31 December 2020 to £14,269,000. If the increase in value had been applied at 31 December 2020, the net assets of the Company would have increased by 3.6%.

Alternative Performance Measures

Total Return
Total return is considered to be an Alternative Performance Measure.

The tables below provide information relating to the NAVs and ordinary share prices of the Company and the total returns for the years ended 31 December 2020 and 31 December 2019.

2020	**Net asset value per ordinary share**	**Ordinary share price**
31 December 2019	**189.55p**	**177.00p**
31 December 2020	**236.53p**	**220.50p**
Total return for the year	**+24.8%**	**+24.6%**

2019	Net asset value per ordinary share	Ordinary 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%

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.

	2020	2019
Investment management fees (£'000)	**1,787**	1,555
Other expenses (£'000)	**605**	600
Ongoing charges (£'000)	**2,392**	2,155
Variable management fee (£'000)	**248**	(329)
Average net assets (£'000)	**255,394**	222,332
Ongoing charges ratio	**0.94%**	0.98%
Ongoing charges ratio including variable management fee	**1.04%**	0.83%

Gearing
Gearing is considered to be an Alternative Performance Measure. See the Fair Value and Portfolio Exposure of Investments table on page 13 for details of the Company's gearing.

Financial Calendar

The key dates in the Company's calendar are:

31 December 2020	Financial Year End
March 2021	Announcement of the annual results for the year ended 31 December 2020
April 2021	Publication of the Annual Report
18 May 2021	Annual General Meeting
30 June 2021	Half-Year End
July/August 2021	Announcement of the Half-Yearly results for the six months to 30 June 2021
August 2021	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 FIL Investments International, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP on Tuesday, 18 May 2021 at 4.00 pm for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2020.

2. To elect Mr David Barron as a Director.

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

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

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

6. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 38) for the year ended 31 December 2020.

7. 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.

8. 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 9 will be proposed as an ordinary resolution and Resolutions 10, 11 and 12 as special resolutions.

Authority to Allot Shares and Disapply Pre-Emption Rights
Resolutions 9 and 10 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 26 March 2021. 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.

9. 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 26 March 2021) 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.

10. THAT, subject to the passing of Resolution 9, as set out above, the Directors be and they are hereby authorised, pursuant to Sections 570-573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority given by the said Resolution 9 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 26 March 2021); 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 11 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 26 March 2021, 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 made 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.

11. 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)

Notice of Meeting continued

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 19,536,750;

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) 5% above the average of the middle market quotations for the shares as derived from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and

   ii) the higher of the price of the last independent trade and the highest current independent purchase bid on the London Stock Exchange at the time the purchase is carried out;

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.

Adoption of New Articles of Association

Resolution 12 is a special resolution that relates to the adoption of new Articles of Association by the Company to make changes in relation to general meetings, retirement of Directors, regulatory restrictions and information requirements, dividend payment provisions, subscription shares and other administrative updates, as described further in the Directors' Report on pages 32 and 33.

12. THAT with effect from the passing of this resolution, the draft Articles of Association produced to the meeting and, for the purpose of identification, initialled by the Chairman, be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

By Order of the Board
FIL Investments International
Secretary
26 March 2021

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 in to 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 Group.

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 16:00 on Friday, 14 May 2021. 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, PXS 1, Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL 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 16:00 on Friday, 14 May 2021. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) of the Uncertified Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrar no later than 16:00 on Friday, 14 May 2021.

6. Proxymity Voting – If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to **www.proxymity.io**. Your proxy must be lodged by no later than 16:00 on Friday, 14 May 2021 in order to be considered valid. Before you can appoint a proxy via this process, you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

7. 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, 14 May 2021. At the time of publication of this Notice of Meeting and the ongoing COVID-19 pandemic, Government guidance prohibits large gatherings of people and this is still likely to be in place at the date of the AGM. Shareholders are therefore urged to vote using the proxy form provided or electronically where permitted by their nominee or platform.

8. 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 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.

9. 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.

10. 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, 14 May 2021. 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.

11. As at 26 March 2021 (the latest practicable date prior to the publication of this document), the Company's issued share capital consisted of 136,161,695 ordinary shares carrying one vote each. The number of shares held by the Company in Treasury was 5,829,801. Therefore, the total number of shares with voting rights in the Company was 130,331,894.

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

13. 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.

14. 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.

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

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

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 the way that is best for you. Details of how to invest and the latest Key Information Document can be found on the Company's pages on the Manager's website at: **www.fidelity.co.uk/japan**

CONTACT INFORMATION

Shareholders and Fidelity Platform Investors should contact the appropriate administrator using the contact details given on this page. Links to the websites of major platforms can be found online at **www.fidelityinvestmenttrusts.com**

Shareholders on the main share register

Contact Link Group, Registrar to Fidelity Japan Trust PLC, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL.

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 Group offers 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 Service allows you to deal in the shares of other companies for which Link Group 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, PO Box 391, Tadworth KT20 9FU.

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.uk** or by telephoning **020 7930 3737**.

Managers and Advisors

Alternative Investment Fund Manager (AIFM/the Manager)
FIL Investment Services (UK) Limited
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP

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 Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

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 £12,300 of capital gains in the current tax year 2020/2021 (2019/2020: £12,000) before being liable for capital gains tax. Capital gains tax is charged at 10% and 20% dependent on the total amount of taxable income.

Shareholder Information continued

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.

AIC
The Association of Investment Companies ("AIC"). The Company is a member of the AIC.

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;
- Net Asset Value (NAV) per Ordinary Share;
- Ongoing Charges;
- Revenue, Capital and Total Returns; and
- Total Return Performance (Net Asset Value Total Return or Ordinary 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, 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 AIFM responsibilities of the Company. The Company's Depositary is J.P. Morgan Europe Limited.

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.

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

Glossary of Terms continued

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 (excluding the variable management fee element)
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.

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 Group.

Reserves
- **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 and cannot be used to fund share repurchases.

- **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 and cannot be used to fund share repurchases.

- **Other reserve** was created in 1999 when the share premium account at the time was cancelled. It is not distributable by way of dividend. It can be used to fund share repurchases.

- **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 repurchases and it is distributable by way of dividend.

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

Return
The return generated in the period from the investments:

- **Revenue Return** reflects the dividends and interest from investments and other income net of expenses, finance costs and taxation;

- **Capital Return** reflects the return on capital, excluding any revenue return; and

- **Total Return** reflects the aggregate of revenue and capital return 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 29.

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 17 and 18.
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 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 18 to 21 and in Note 16 to the Financial Statements on pages 61 to 66.
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.	As at the date of this report, none of the Company's assets are subject to special arrangements arising from their illiquid nature.

Function	AIFM Role and Responsibility	AIFMD Disclosure
Leverage	The Company uses leverage to increase its exposure primarily to Japanese stock markets 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 2020, leverage for both the Gross Method and the Commitment Method was 1.25.
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 63.
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 Remuneration Policy can be found at **www.fidelityinternational.com/global/remuneration/default.page**

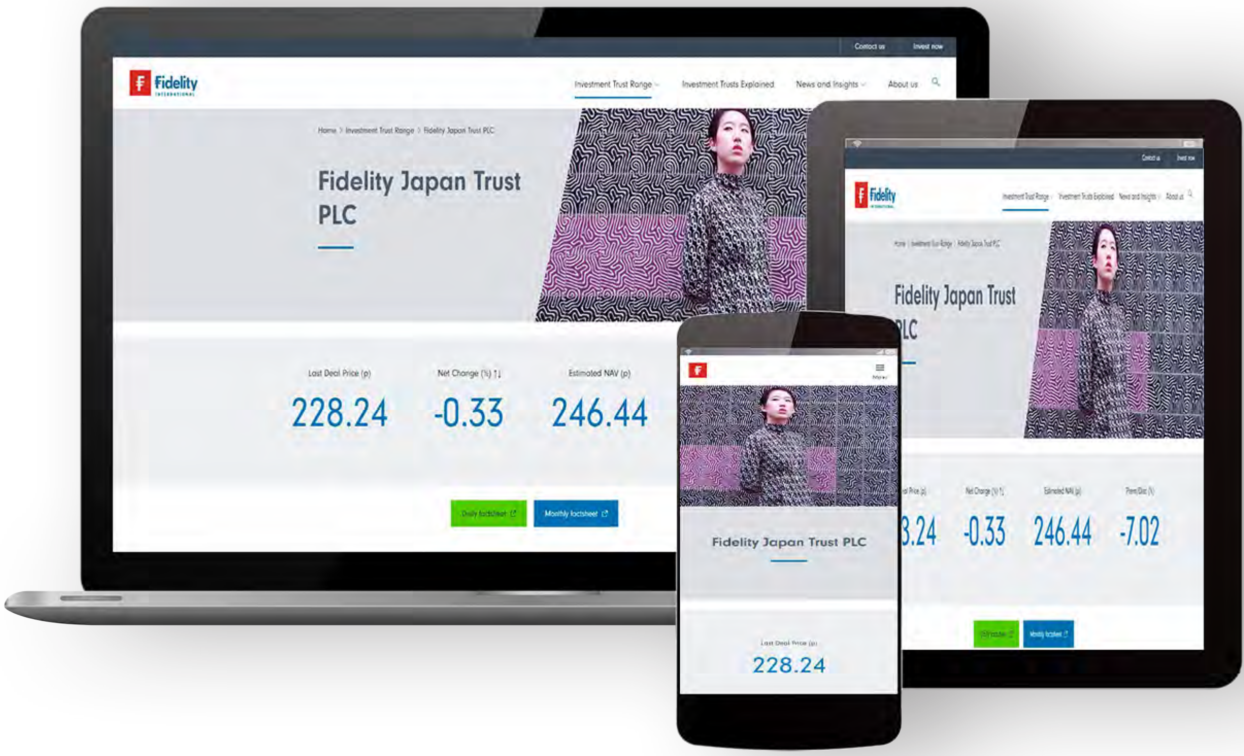
EU Securities Financing Transactions Regulation ("SFTR")

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.

As at 31 December 2020, all CFDs were contracted bilaterally with open maturities:

Broker	Fair Value £000	Percentage of Net Assets	Collateral held by the broker £000	Collateral held by the Company £000
J.P. Morgan Securities plc (UK)	(68)	(0.02%)	–	21
UBS AG (UK)	1,909	0.62%	1,082	–

Collateral held by the broker was denominated in yen and held in a segregated account on behalf of the Company with a maturity of one day. The total return for the year ended 31 December 2020 from CFDs was a gain of £23,025,000.



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

www.fidelityinvestmenttrusts.com

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