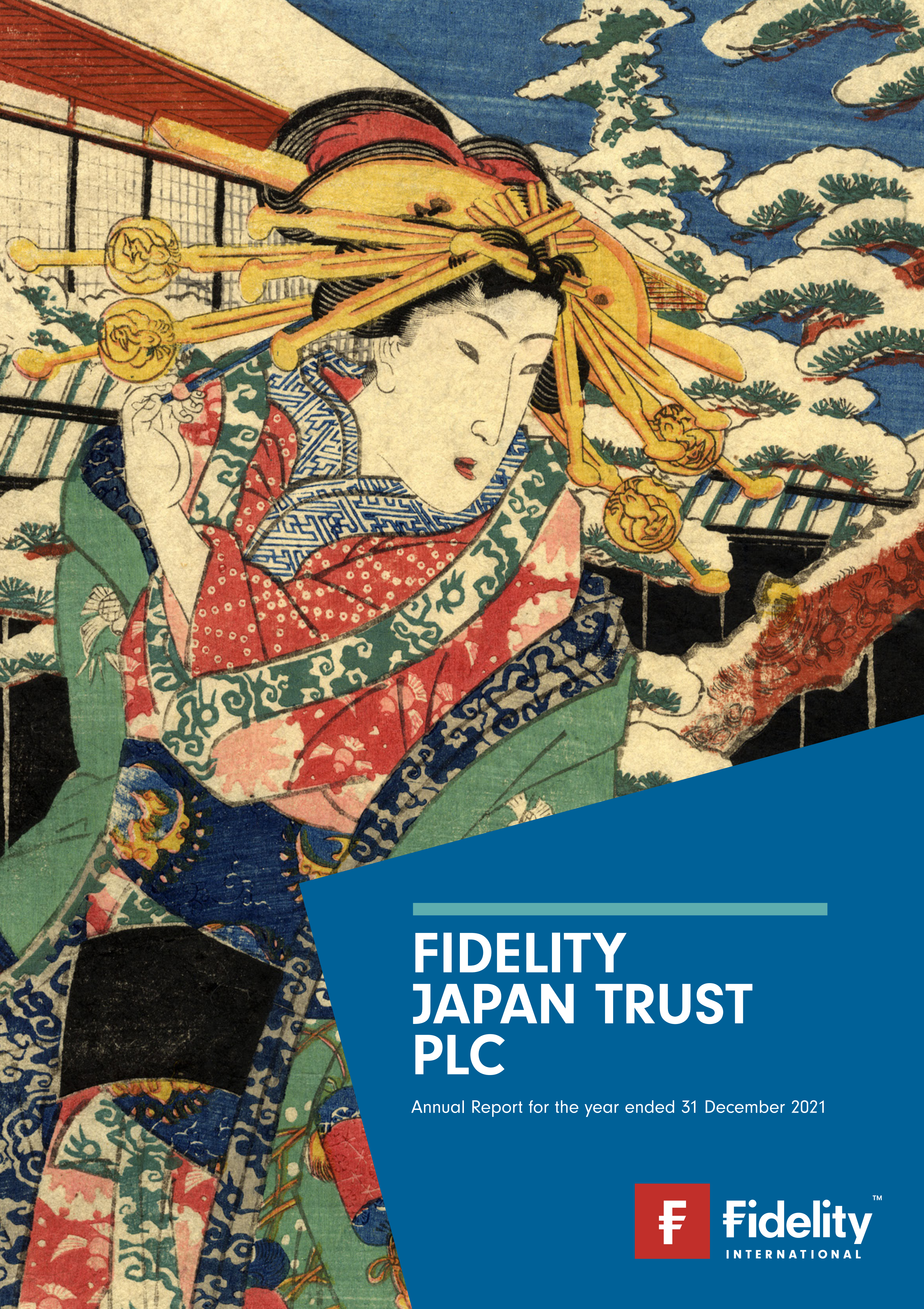


FIDELITY JAPAN TRUST PLC

Annual Report for the year ended 31 December 2021

Fidelity INTERNATIONAL

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 capitalise on 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.

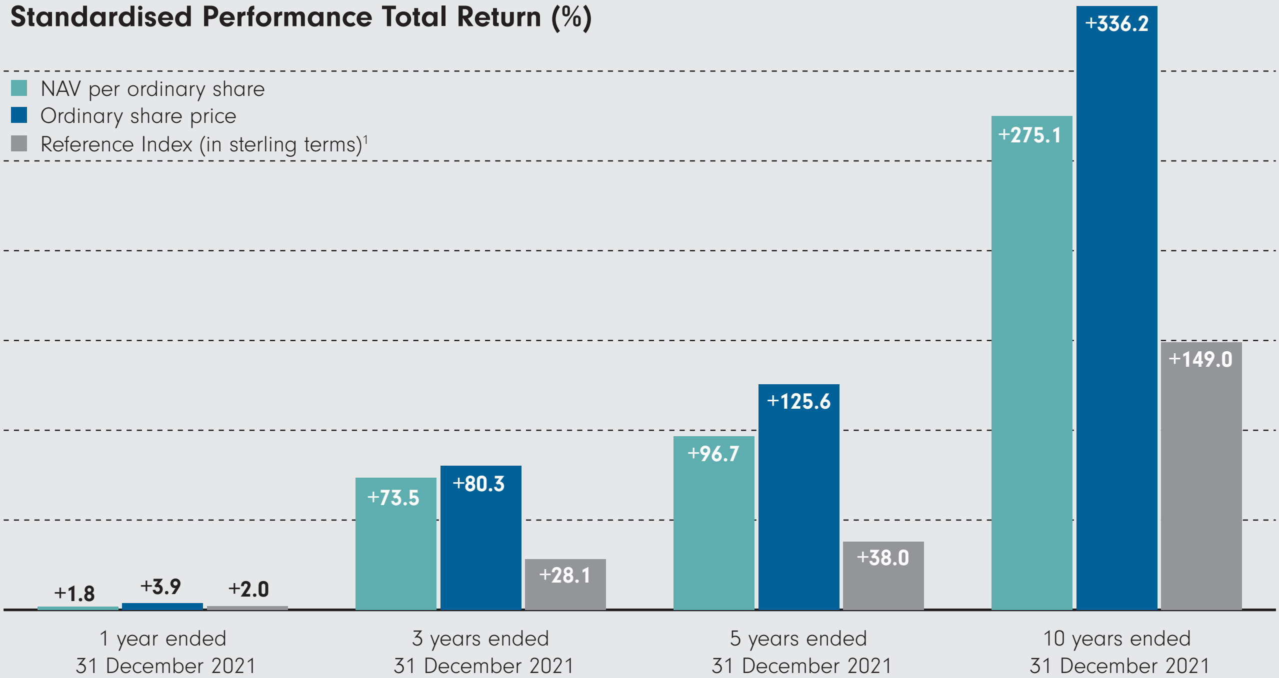
The Company looks to benefit from the more dynamic sectors of Japan's economy, focusing on fast growing but attractively valued stocks. With an acute understanding of this unique region and economy, combined with Fidelity's hands-on local research, Nicholas Price, the Portfolio Manager, and the team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

Kepler
GROWTH RATING

MONEY OBSERVER
RATED FUND
2020
Fidelity Japan IT
Japanese Equities

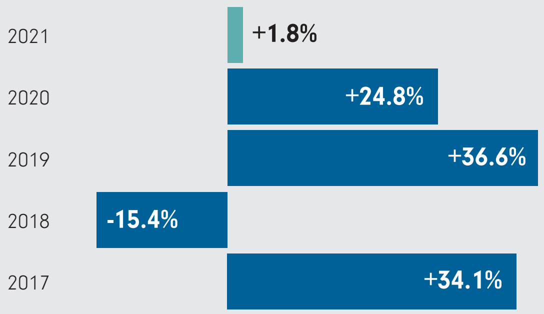
At a Glance

Standardised Performance Total Return (%)

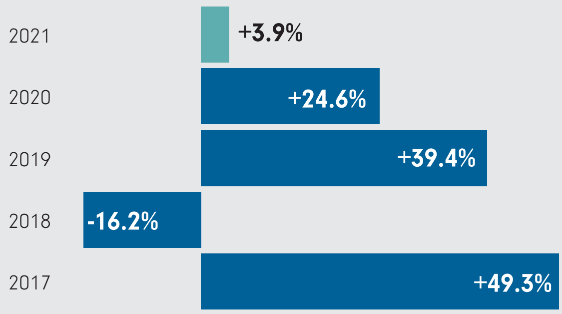


[1] The Reference Index changed on 22 May 2018 from the Russell Nomura Mid/Small-Cap Index (in sterling terms) to the Topix Total Return Index (in sterling terms).

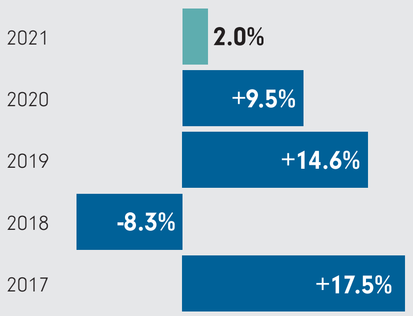
Net Asset Value per Ordinary Share total return
Year ended 31 December[1]



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



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



1 Alternative Performance Measures. See page 75.
2 The Reference Index changed on 22 May 2018 from the Russell Nomura Mid/Small Index (in sterling terms) to the TOPIX Total Return Index (in sterling terms).
Sources: Fidelity and Datastream.
Past performance is not a guide to future returns.

Summary of Results

	2021	2020
Assets at 31 December		
Total portfolio exposure[1]	**£380.4m**	£381.3m
Shareholders' funds	**£312.7m**	£308.8m
Total portfolio exposure in excess of shareholders' funds (Gearing – see page 19)[2]	**21.6%**	23.5%
Net Asset Value ("NAV") per ordinary share[2]	**240.73p**	236.53p
Share Price and Discount data at 31 December		
Ordinary share price at the year end	**229.00p**	220.50p
year high	**261.00p**	227.00p
year low	**203.50p**	107.00p
Discount at the year end[2]	**4.9%**	6.8%
year high	**9.5%**	20.2%
year low	**1.8%**	1.6%
Results for the year to 31 December – see page 54		
Revenue return per ordinary share[2]	**1.61p**	1.56p
Capital return per ordinary share[2]	**2.50p**	44.53p
Total return per ordinary share[2]	**4.11p**	46.09p
Ongoing charges for the year to 31 December[2, 3]	**0.90%**	0.94%
Variable management fee charge	**0.20%**	0.10%
Ongoing charges including variable management fee for the year to 31 December	**1.10%**	1.04%

1 The total exposure of the investment portfolio, including exposure to the investments underlying the long contracts for difference. See page 19.
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 86.

As at 31 December 2021

Shareholders' Funds

£312.7m

Market Capitalisation

£297.4m

Capital Structure

Ordinary Shares of 25 pence held outside Treasury

129,876,894

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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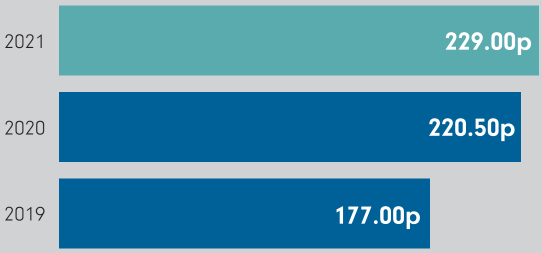
Ordinary Share Price as at 31 December



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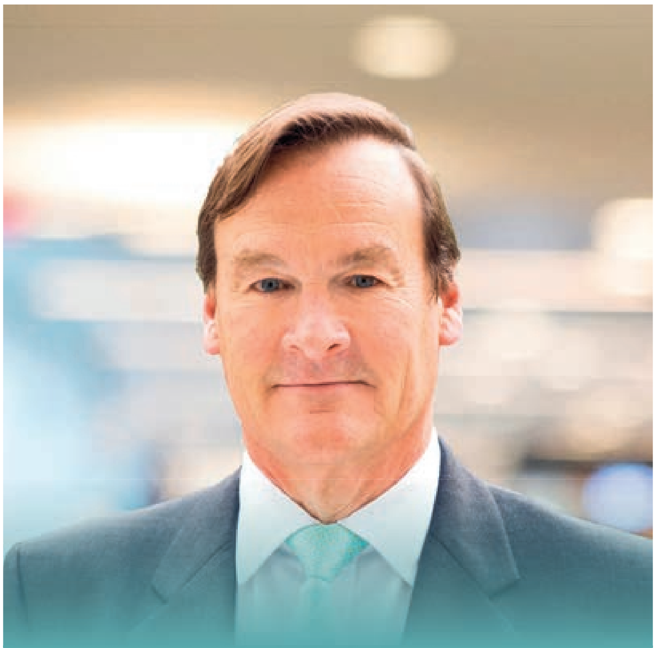
Chairman's Statement



I am pleased to present the Annual Report of Fidelity Japan Trust PLC for the year ended 31 December 2021.

David Graham, Chairman

Performance Review

For the year to 31 December 2021, the Company's NAV per share increased by 1.8% in sterling terms and the share price rose by 3.9%. In comparison, the Reference Index returned 2.0%. The Company performed well relative to the other growth-oriented trusts in the AIC Japan peer group over the review period but trailed those with more of a value tilt. It is gratifying to note that Fidelity Japan Trust PLC was the best performing Japanese trust in its peer group over both three and five years to 31 December 2021.

In yen terms, the Japanese market rose 10.4% over the year and reached its highest year end close since the market peaked in 1989. Sadly, the returns for sterling investors were eroded by the weakening in the yen over the year from ¥141 against the pound to ¥156.

The market saw a significant style rotation over the year with large-cap value stocks outperforming while significant declines were seen in more defensive and domestic sectors as well as in mid and small sized growth stocks. A fuller review of the drivers of the market and sources of performance over the year to end of December 2021 are included in the Portfolio Manager's Review on the following pages.

The start of 2022 saw weakness across all markets amidst fears that new COVID variants may stall the global economic recovery as well as concerns of growing inflationary pressure and the need for interest rates to rise. This has been exacerbated in recent weeks by the Russian invasion of Ukraine and the resulting volatility in global markets and concerns that the conflict and sanctions imposed on Russia will have a significant impact on energy and commodity prices. This has seen the Company's NAV fall more than the market index as growth stocks have suffered the most over this period.

Discount Management, Share Repurchases and Treasury Shares

Over the year, the discount at which the Company's shares traded narrowed from 6.8% at the start of the year to 4.9% at the end of the year, having peaked at 9.5%. The discount has remained in line with the Company's policy of managing the discount so that it remains in single digits in normal market conditions, as set out in the 2019 Annual Report.

As part of the discount management policy, 678,032 ordinary shares were repurchased for holding in Treasury over the year which represented 0.5% of the issued share capital. Since the year end and as at the date of this report, no further shares have been repurchased.

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.

Ongoing Charges

The ongoing charge for the year, including the variable element, was 1.10% (2020: 1.04%). This comprises the fixed charges of 0.90% (2020: 0.94%) and a variable charge of 0.20% (2020: 0.10%) This increase is due to the Company's outperformance of its Reference Index on a three-year rolling basis.

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 Nicholas Price, 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. Total portfolio exposure at the end of the year was £380.4m, equating to gearing of 21.6% compared with 23.5% at the end of 2020. Further information can be found on pages 23 and 24 of the Strategic Report. As at 22 March 2022, gearing was 22.2%.

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.

Unlisted Companies

At present, the Company is permitted to invest up to 10% of its Portfolio Exposure in unlisted companies. As Nicholas mentions in his Portfolio Manager's Review, there have been increasing opportunities in recent years to invest in companies prior to their listing on a recognised exchange. Often, they offer an excellent opportunity for patient, long-term, investors.

During the year, Coconala and Photosynth, two previously unlisted companies, both listed on the TSE Mothers market, while new investments were made in Business-to-Consumer online platforms in areas such as online travel services, personal finance and biotech. At the end of December, there were holdings in six unlisted companies, accounting for around 5% of the portfolio.

As the opportunities for investment in unlisted companies is expected to grow, we are seeking shareholder approval at the Annual General Meeting on 17 May 2022 to increase the limit of the Company's assets in unlisted companies from 10% to 20%.

Impact of COVID

COVID has had far-reaching consequences globally on how people work. I would like to express my thanks to Fidelity International for maintaining its high standard of support for the Company over the past two years and to Nicholas and the Fidelity team in Tokyo for adapting so readily to the changes to the work environment.

As for the Board, we were, once again, unable to conduct our annual Due Diligence trip to Japan in 2021. However, as highlighted in last year's Annual Report, we were able to have a "virtual" visit with a series of meetings with the investment team, analysts and senior management in Tokyo. We are hoping to visit Japan in June 2022, but it remains unclear exactly when the Japanese Government will relax restrictions on foreign visitors.

Board Changes

As was reported last year, David Robins stepped down from the Board as a non-executive Director and Chairman at the conclusion of the AGM on 18 May 2021. On behalf of the Board and shareholders, I would like to thank David for his valued contribution to the Company over the ten years he served on the Board. The Board continues to review its composition and effectiveness as well as considering appropriate succession planning.

All Directors are subject to annual re-election at the AGM on 17 May 2022. Biographical details of the full Board are included on page 31 to assist shareholders when considering their voting at the AGM.

Continuation Vote

The Company's Articles of Association provide that the Directors must ask shareholders every three years to vote on the continuation of the Company as an investment trust. Accordingly, a resolution proposing that the Company continues in its current form will be put to shareholders at the forthcoming AGM. The Board is pleased with the Company's strong performance relative to the Reference Index over the last three years and remains confident in the investment team's ability to continue to generate good investment returns over the long term, notwithstanding the recent volatility in markets. Therefore, we recommend that shareholders vote in support of the resolution. Further information can be found in the Notice of Meeting on pages 77 and 78.

Annual General Meeting (AGM)

Sadly, as a result of COVID we have not been able to meet in person for our AGM since 2019. While we were sorry not to engage directly with shareholders we were pleased to be able to do so online, broadcasting a 'live' presentation and taking written questions posed in real time, using the internet. We were delighted with the level of online attendance and have received positive feedback on last year's meeting.

At last year's AGM, we updated the Articles of Association so that 'hybrid' general meetings can be held as a matter of course in future. Hybrid meetings allow attendance and voting in person as well as remotely in real time. The presentations and formal business will all be filmed and simultaneously streamed online. We will welcome questions from those in the room and attending online on an equal footing.

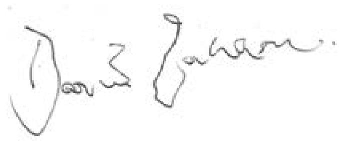
More details are set out on page 76 and in the Notice of Meeting on pages 77 to 81.

Outlook

At the time of writing, even if the war in Ukraine was to cease shortly, it is difficult to see when normality will return to markets given the fragile geopolitical situation and likely impact of the conflict on inflation and global economic growth.

The Board remains confident in the Portfolio Manager's ability to invest in companies with growth prospects that are not fully recognised by the market and believes that many such opportunities continue to exist in Japan.

The team in Tokyo will be monitoring the situation closely. It is hoped that the increasing optimism that the team had for the prospects of the Tokyo stock market for 2022, based on valuations and earnings outlook, will be restored but much will depend on the persistence of the uncertainty over the conflict in Ukraine.



DAVID GRAHAM
Chairman
25 March 2022

Portfolio Manager's Review

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

Question

What were the key drivers of the Japanese stock market during the year under review?

Answer

Japanese stocks advanced over the course of 2021, though most of the gains were concentrated in the first half and share prices lagged those in other developed markets. On the currency markets, the yen weakened to ¥156 against the pound from ¥141 at the end of 2020, diminishing sterling-based returns over the period.

At the start of the year, consensus-beating earnings results and the prospect of additional economic stimulus, primarily in the US, drove major market indices to multi-decade highs. However, gains were capped by inflation concerns and rising US Treasury yields, which weighed heavily on high-priced growth stocks. Ahead of the Tokyo Olympics, the Japanese government's decision to extend the state of emergency and the slow start to the domestic COVID vaccine rollout generated further headwinds. Subsequently, share prices were supported by strong earnings momentum and domestic political developments, while rising vaccination rates led new COVID cases to peak. Reports that Prime Minister Yoshihide Suga would not run in the Liberal Democratic Party leadership race at the end of September attracted buying among overseas investors. However, uncertainty stemming from the US budget debate and credit concerns related to China's Evergrande Group weighed on stocks. Thereafter, share prices reacted positively to the Liberal Democratic Party retaining its stable majority in Lower House elections and new Prime Minister Fumio Kishida's larger-than-expected stimulus package. Solid interim earnings results also provided support. However, towards the end of the year, Japanese equities succumbed to concerns over US tapering, rising oil prices and the spread of the Omicron variant of COVID.

In terms of style, large-cap value stocks that benefited from a pickup in global growth and long-term interest rates were the strongest performers over the period. This was reflected in the outperformance of global cyclical sectors such as shipping, mining and metals. Conversely, defensive and domestic segments of the market that were negatively impacted by the virus, as well as those trading on high valuations experienced the most significant declines. Mid/small-cap growth stocks, a key segment of the Company's holdings, faced increased selling pressure as risk sentiment deteriorated amid expectations for earlier interest rate hikes in the US. There were conspicuous laggards over the year.

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 1.8% in sterling terms and the share price rose by 3.9%. In comparison, the Reference Index returned 2.0%. The discount narrowed to 4.9% from 6.8% a year ago.

The standout contributor to the Company's performance over the period was Mitsui High-tec, now a top 10 holding, which dominates nearly 70% of the global motor core market, an essential component of power-train motors in electric vehicles (EV) and hybrid vehicles. The company's strength lies in its ultra-precision machining and die technology which is used to create high-quality motor cores and machine tools. Mitsui High-tec is a dominant supplier to Japanese car makers and is expanding its motor core production capacity. From the time the stock was added to the portfolio in late 2020, its market capitalisation has almost tripled to £2 billion. Another company tied to secular growth trends (factory automation (FA)) that made a material contribution to performance is MISUMI Group, a manufacturer and distributor of FA and metal die components. The company's distinctive business model (it provides customised products with short delivery times) and sophisticated production system, allied with its e-commerce platform, are conducive to sustainable growth. Against a backdrop of accelerating automation demand globally and persistent supply constraints, the company delivered earnings results that exceeded market expectations. On the services side, meanwhile, positions in Recruit Holdings and Open House added value. Staffing and HR company Recruit benefited from recovering labour markets while developer Open House saw a pickup in demand for single-family homes.

In the internet space, Coconala, a unique online consumer-to-consumer (C2C) freelancing platform that enables users to trade knowledge, skills and experience, was the standout contributor to performance. I first invested in the company as an unlisted security in 2019, recognising it as a beneficiary of the many structural changes occurring in Japan's labour market, and was attracted by its high and sustainable growth rates, as well as the high operating leverage of its business. Coconala had a strong debut on the Tokyo Stock Exchange in March 2021 and the value of the Company's holding increased more than threefold. The success of this investment highlights the benefits of our on-the-ground research in Japan and the increasing opportunities which exist from investing in companies before they are listed.

Conversely, the position in Ryohin Keikaku, operator of the MUJI brand of general merchandise stores, was the most significant detractor from returns over the period. The company's share price lost ground as sluggish sales trends came at a time when it was incurring upfront costs aimed at driving future growth. This led to disappointment among some market participants. However, the MUJI brand remains strong and we expect earnings to recover, supported by faster growth in Asia, centred on China, and the emerging benefits of its investments.

In the Pharmaceuticals sector, the holding in drug company Eisai struggled to perform. The slow roll out of its Alzheimer's treatment Aduhelm in the US and approval hurdles in Europe weighed on the stock. While its share price did not reflect the potential growth of the drug or other related treatments under development, it appeared unlikely to perform in the absence of favourable trial results and the position was sold.

In the Information & Communication sector, holdings in online platform and software-as-a-service (SaaS) companies that performed well for the Company in 2020 came under selling pressure. Shares in JustSystems, a leading provider of educational and business software, fell sharply at the start of the year due to negative seasonality and style headwinds as the market rotated in favour of large-cap value stocks. Nevertheless, JustSystems remains a key beneficiary of the strong demand for distance-learning software in Japan and remains an overweight position. Shares in business-to-business (B2B) e-gift platform provider, Giftee, reacted negatively to concerns over the impact of the Omicron variant, as well as downward revisions to its full-year earnings guidance. However, the earnings downgrade was largely due to the postponement of the government's GoTo Travel campaign and, excluding that impact, Giftee continued to deliver good results. Commissions from companies that offer products that can be redeemed and those that use e-gifts for marketing are its main source of revenue; this is expected to grow over the mid to long-term in line with the rising digitisation of gifts, cash vouchers and coupons. Finally, SaaS company Hennge, a provider of one-stop solutions for secure access to cloud-based services, was another significant detractor from performance. Although business conditions were generally favourable, driven by rising cloud adoption and SaaS uptake, recent rates of revenue growth came in below expectations despite increased promotional activity. This led to a reassessment of its mid-term earnings growth prospects and the position was sold.

Question

What impact will the new Kishida administration have?

Answer

The election victory of the ruling Liberal Democratic Party under new Prime Minister Fumio Kishida increased expectations of policy continuity, at least in the near-term. Kishida's government has come up with a huge supplementary budget to support Japan's economic recovery, though the pandemic and a fragile political base provide little room for the new Prime Minister to make significant changes to the economic policy. Kishida came to power pledging to boost middle-class incomes and create a new brand of capitalism that spreads prosperity more widely. He also advocated tax breaks for companies that raise wages. Although such measures could help to lift incomes to a certain extent, the effect will likely prove transitory in the absence of broader

Portfolio Manager's Review continued

reforms. In the end, it remains to be seen how the new Prime Minister's pledge to promote economic growth and to narrow wealth gaps through an approach he calls "new capitalism" will develop.

Question

What have you seen in terms of new listings in Japan over the year and how is this evolving?

Answer

There were 125 initial public offerings (IPOs) in calendar year 2021, marking the highest number of listings since 2006. Six companies listed directly on the TSE First Section, and around three-quarters of the IPOs were on the TSE Mothers market, an exchange for emerging companies with high growth potential. Around 70% of the IPOs were for companies in the Information & Communication and Services sectors, reflecting growth trends in areas such as artificial intelligence, digital transformation and SaaS.

While the number of companies listing on the stock market reached a 15-year high, Prime Minister Kishida highlighted Japan's start-up market as an area in need of support and changes could be on the way. Japan's lack of unicorns (private companies valued at more than US$1 billion) compared to the US and Europe was also flagged. The Japan Securities Dealers Association set up a panel to review the listing process and to address the issue of IPO prices being set too low, which can deprive entrepreneurs of funding. Indeed, the Fair Trade Commission recently warned brokerage firms that the under-pricing of IPOs could violate Japan's antitrust law.

Moreover, from a bottom-up perspective, we are seeing a lot more entrepreneurial activity in Japan compared with five to ten years ago. A number of new growth companies are also coming through, which is creating opportunities in the IPO market. Being on the ground in Japan, and seeing many different companies, means that we are well placed to help entrepreneurs in the latter stages of their pre-IPO journey. We expect there to be an increase in such opportunities which offer a source of differentiated returns as we saw with the listings of Raksul and Coconala. Accordingly, I would like to gradually increase the exposure to unlisted securities to 20% of the portfolio.

Question

Sustainability is a key area of focus for investors. Can you outline your approach as well as the opportunities and challenges in this area that are specific to Japan?

Answer

Sustainability is a core part of the Fidelity-wide investment process and assessing which companies can grow sustainably over the medium-term and enhance the efficiency of other corporates and their supply chains is a key part of my portfolio construction. By working closely with our Head of Engagement in Tokyo and maintaining an active dialogue with investee companies, we aim to continually improve the sustainability of their businesses, which will also enhance their performance as investments.

Globally, the uncertainty wrought by COVID has shone a light on sustainability – and Japan is no exception. Although Japanese companies generally have lower sustainability scores than their European counterparts, we believe this is not due to any fundamental differences in strategy, but more to do with cultural reasons around disclosure practices and language. By working closely with our sustainable investing team in Japan, we are able to identify companies that are implementing real change and moving up the governance scale. As these companies improve their disclosure process, their environmental, social and governance (ESG) ratings should catch up and the market should adjust valuations accordingly. For investors, this creates an opportunity to benefit from the adjustment.

Question

What have been the key ESG trends in Japan and what developments are ahead?

Answer

In the wake of COP26, a number of Japanese companies set carbon-neutral targets, underlining the country's move towards decarbonisation. On the institutional front, the revision of the Japanese Corporate Governance Code in June will require companies listed on the Prime Market (from April 2022, the Tokyo Stock Exchange's four market divisions will be restructured into three new segments: Prime, Standard and Growth) to disclose their climate change measures in accordance with the Task Force on Climate-Related Financial Disclosures (TCFD). The revised code also reflects a number of other sustainability topics such as diversity, human capital and human rights initiatives. From April 2022, the Prime Market will finally be launched following the reform of the Tokyo Stock Exchange's market structure.

Many companies have committed to sustainability initiatives in preparation for listing on the Prime Market; we will now be looking at how they will implement these measures.

Question

Could you provide an example of where active engagement has brought about real change?

Answer

FA supplier MISUMI Group is a good example of a company with which we have consistently engaged to help it improve its ESG rating. The company's unique business model lends itself well to sustainability through efficiency gains for its customers in the manufacturing sector. This was not appreciated by either the market or ESG rating providers due to its limited public disclosures on the topic, resulting in a low rating. In terms of governance, we encouraged MISUMI to take effective measures, such as establishing a Nomination Committee and making its existing Remuneration Committee majority independent. The company followed up on these recommendations and went on to establish a Sustainability Committee that reports to the board and became signatories of the Task Force on Climate-Related Financial Disclosures (TCFD). The sustainability page of the company's revamped website now clearly explains the direct link between its business model and the shift towards a sustainable world. As a result of these actions, the perception gap was closed and MISUMI's ESG rating was upgraded. Over time, it is our belief that executives at Japanese companies such as MISUMI will treat the disclosure of sustainability issues as importantly as they do financial data. By finding companies that will disclose sooner and better, and by engaging with them, we can create additional alpha opportunities for the Company.

Question

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

Answer

The level of gearing gradually declined over the course of the year and stood at 21.6% at the end of December. This was largely a reflection of profit taking in the Technology sector, where valuations had expanded and the potential for further upside appeared limited as we approached the peak of the cycle. I also sold positions where companies are likely to face much tougher year-on-year growth comparisons from the second half of 2022. Meanwhile, the recent market correction is creating opportunities to selectively add globally competitive growth companies that have been oversold and are now trading on compelling valuations. As always, the level of gearing is a reflection of the opportunities that I see in the market.

Question

The opening weeks of 2022 have been beset by increased volatility and extreme market rotations. Why is that and what are your thoughts on the Company for the year ahead?

Answer

So far 2022 has brought with it an extreme style rotation that has led to the outperformance of value names and sharp declines for growth stocks. This was most evident in the buying of low price-to-book (PB) names and the selling of high PB stocks. This has occurred as accelerating rate hike expectations have driven up real interest rates in the US. The stock market has started to price in these developments, which has seen, for example, Banks and Insurance stocks outperform quite strongly over the year-to-date period. Conversely, growth-oriented sectors such as Precision Instruments, Services and Electric Appliances have been the most significant underperformers. Given the rising momentum for US rate hikes, further volatility is possible in the near-term.

In this environment, holdings in mid/small-cap growth stocks in the Information & Communication sector have been among the most significant detractors from performance. In particular, SaaS related names have corrected sharply since the previous quarter. At the same time, companies tied to secular growth trends such as factory automation (FA) and electric vehicles (EV) that did well last year have been subject to profit taking over the year-to-date period. Given the market trends described above, the underweight exposure to traditional value sectors such as Banks and Automobiles has also worked against performance.

Another factor of the recent market phase that has generated headwinds for performance is the narrowness of price movements. This has produced strong intra-sector divergences and as a result, natural hedges have not worked. For example, shares in Toyota Motor (an underweight position in the Company) are up versus TOPIX over the year-to-date period, but group company Toyota Tsusho (an overweight holding in the Company) is down in relative terms. Given the extreme nature of these movements, we expect them to correct at some point.

I have been taking some profits in stocks that have performed well and those that have been relatively insulated from the recent correction. At the same time, I have been gradually adding on weakness where valuations are looking more attractive on a mid-term view. As a result, there has not been a significant change in terms of key holdings in the Company's portfolio.

The price-to-earnings ratio (PER) of the portfolio has come down quite considerably, to a level closer to the market average, though the estimated earnings growth is far higher. The portfolio PER estimate for 2022 still shows a premium versus the index as some of the COVID reopening plays have yet to recover fully. However, the estimate for 2023 multiple is pretty much in line and with a significantly higher rate of earnings growth and returns.

Portfolio Manager's Review continued

The sharp correction in high valuation and high-growth stocks that has been driving the value rally is unlikely to go much further given the scale of the moves so far, though the buying of value names that have yet to fully participate may continue. While the correction in valuations has largely played out for now (the convergence or crossover of value and growth valuations generally indicates that we are close to a bottom), the unwinding of global monetary easing will accentuate the importance of bottom-up stock picking and a keen focus on companies that can continue to grow earnings over the mid-term.

With this in mind, I am focusing on companies that are long-term winners with sustainable growth prospects and differentiated products in growing markets. In particular, I like companies that are efficiency enablers in both the Manufacturing (FA) and Software (Digitalisation) sectors. Over the longer-term, I am looking at companies that can contribute to and support Japan's energy transition and requirements for energy efficiency (green energy, factory automation and EV components, etc.). As always, we continue to evaluate new and under-covered opportunities, while focusing on companies that can continue to grow through 2022/23 and exceed market expectations over the mid-term.

Question

While the Russian invasion of Ukraine took place after the reporting period, could you share some thoughts on the situation and the impact this may have on the Company's holdings?

Answer

The conflict in Ukraine is first and foremost a human tragedy, but it is also creating huge economic uncertainty. While financial markets appear hopeful of some form of de-escalation, it remains unclear just how long the conflict will last. Russia accounted for just 1% of Japanese exports and 1.8% of total imports in 2021, so the direct impact is not significant. Still, surging commodity prices, especially oil, are driving up costs and creating headwinds for both households and corporates in Japan.

The direct impact of the situation in Ukraine on portfolio holdings is relatively limited and there has not been a significant change in terms of positioning. I turned a bit more cautious towards the end of last year (inventories were on the rise in the manufacturing sector and there were signs of a post-COVID shift from goods to services) and looked more towards companies that can grow sustainably through the second half of 2022 and into 2023. So, I am focusing on defensive/sustainable growth names and services companies that can generate earnings in a more challenging environment and those that can positively surprise the market on mid-term growth.

Nicholas Price
Portfolio Manager
25 March 2022

ESG in the Investment Process

Fidelity International ("Fidelity") has embedded Environmental, Social and Governance ("ESG") factors in its investment decision making for a number of years. 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. As a founding signatory to the Net Zero Asset Managers Initiative, Fidelity has committed to halving the carbon footprint of its investment portfolios by 2030, from a 2020 baseline, starting with equity and corporate bond holdings; and to reach net zero for holdings by 2050.

ESG integration at Fidelity 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 127 individual and unique sub-sectors. A breakdown of the ratings of the companies in the portfolio using MSCI and Fidelity's own proprietary ratings is on page 11. In addition, Fidelity's portfolio managers are also active in analysing the effects of ESG factors when making investment decisions. ESG analysis complements financial analysis to provide a complete view of every company that is researched and monitored.

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

In addition to Fidelity's Sustainability Ratings, Fidelity has developed a proprietary Climate Rating, which is an important part of its plans to reach net zero emissions across its portfolios. It utilises its fundamental research capabilities to identify climate related risks, net zero investments and targets for transition engagement within the Fidelity investment universe. It assesses which companies are in the best position to transition to net zero or have a positive trajectory towards transition. The Climate Rating is designed to complement the broader Sustainability Ratings which score companies across a range of environmental, social and governance criteria.

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

The Sustainable Investing Team has 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, utilising Fidelity's corporate access research capabilities and investment scale to improve corporate behaviour, including at 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.

During 2021, Fidelity introduced its sustainable investing voting principles and guidelines. These seek to provide a clear overview of Fidelity's voting approach, promote improved corporate behaviours and reduce risk, include environmental and social factors, increase clarity of votes to issuers and clients and meet current market best practices and stewardship expectations. Examples of the policy include voting against companies not meeting key criteria on climate change and against management in developed markets with less than 30% female representation at board level.

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)

ESG in the Investment Process continued

- 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.

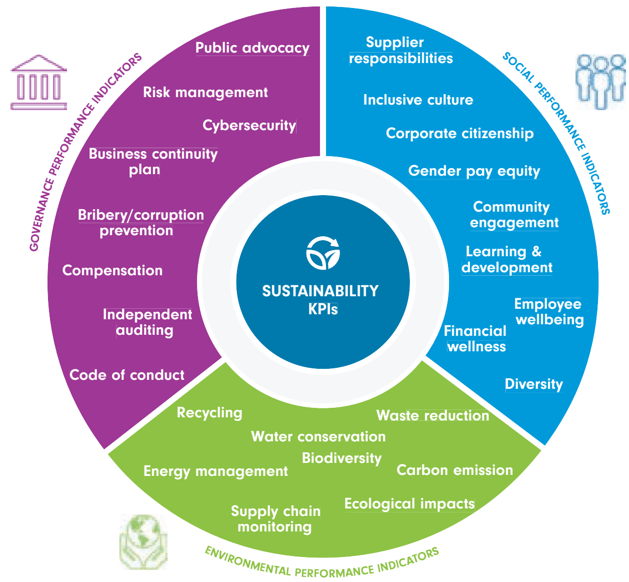
The ESG ratings and associated company reports are included on Fidelity's centralised research management system. This is an integrated desktop database, so that each analyst has a first-hand view of how each company under their coverage is rated according to ESG factors. In addition, ESG ratings are 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.

* https://eumultisitev4prod-live-eb461540d2184169bb77db2b062d9318-f268f99.s3-eu-west-1.amazonaws.com/PI%20UK/pdf/modern-slavery-human-trafficking-statement.pdf

Fidelity International - Setting standards for its business

Sustainability built from the ground up

We apply the same KPIs to our own business that we use for the companies in which we invest. And we expect to improve upon our own ESG standards, just as we would expect from others.



The arbitrage opportunity in Japanese sustainability ratings
As people become more aware of the benefits of sustainable investing, they are paying more attention to corporate ESG ratings. Third-party ESG ratings provide an independent assessment of a company's sustainability profile that can help investors decide which companies to invest in. However, there are gaps in the framework that can be exploited. One of these is the relatively lower sustainability ratings in Japan, which is setting up an arbitrage opportunity.

Fidelity compared the sustainability ratings of a widely used third-party agency with its in-house system and found that there was a systematic under-rating of Japanese companies versus European ones. Comparing the third-party's ratings to Fidelity's own, corrects for any underlying fundamental differences in the companies, so the variation is down to non-fundamental factors.

Fidelity believes the difference in ratings are broadly due to cultural issues, but these should correct over time. Corporate culture in Japan has historically avoided conspicuously emphasising achievements, which is seen as not aligned with the more sober management style that is prevalent there. Japanese executives therefore tend to underplay their sustainability credentials compared to other regions and this can work against them with investors accustomed to a higher level of corporate promotion and disclosure.

The other issue is the language barrier. Japanese companies, particularly small-caps, still do not widely publish their reports in English. For third-party ESG ratings agencies, which tend not to have many on the ground analysts based in Japan, this makes covering Japanese companies harder. As a result, Japanese companies are often unintentionally penalised.

Fidelity's engagement with Japanese companies confirms that they are in fact taking sustainability seriously, making progress on ESG issues and keeping up with their European counterparts. The problem is that they are not making this information as accessible. Japanese companies have the right corporate strategy and operations but are not fully appreciating the significance of sharing this information publicly to help investors value companies accurately. But this is changing.

More and more Japanese companies are realising that to continue attracting investors they need to evolve their disclosure policies and publish sustainability reports. In Fidelity's conversations with corporate executives at these companies, it is finding a real openness to engage on this issue and a willingness to re-think their disclosure policies.

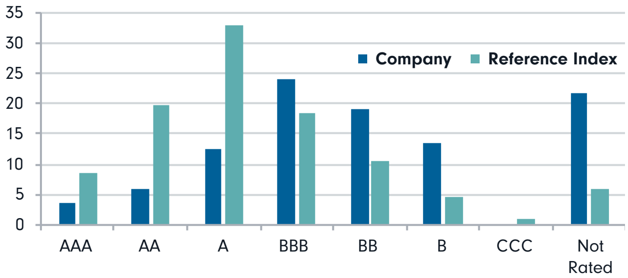
It is Fidelity's view that, over time, executives at Japanese companies will treat the disclosure of sustainability as importantly as financial data. Finding those companies that will disclose sooner and better by engaging with them, will potentially create additional alpha opportunities.

Blending a portfolio of top-ranking sustainable companies with those exposed to potential upgrades makes sense. These companies have the potential to consistently earn more than their cost of capital over the longer-term because of their sustainable competitive advantage. As engaged investors, Fidelity is partnering with companies to see where it can advise how to improve their practices and benefit from ESG ratings upgrades as they happen. An excellent example of such engagement in practice took place with FA supplier MISUMI Group. Full details are included in the Portfolio Manager's report on page 7.

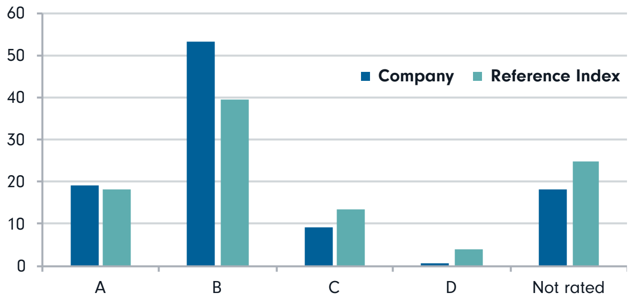
ESG and Carbon Emissions Assessment

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 Fidelity's ratings, which are more forward-looking in nature, shows a greater proportion of the portfolio in higher rated stocks than when rated by MSCI, which is more backward-looking and disclosure driven. Additionally, more than 82% of the portfolio (as shown in the right hand chart) is covered by Fidelity compared with 78% covered by MSCI (as shown in the left hand chart) with the Company's small and mid-cap exposures being given formal ESG coverage by Fidelity sooner than by MSCI. As highlighted above, it is anticipated that as disclosures improve, 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 ratings

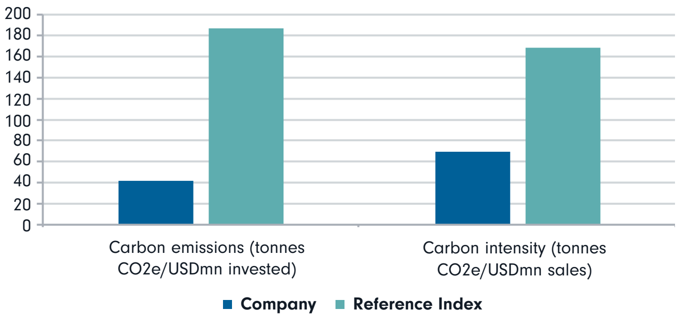


FIL ESG ratings



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

Carbon footprint



Carbon emissions: Provides a normalised snapshot of the Company's contribution to carbon emissions.

Carbon Intensity: is calculated as the sum of each portfolio weight multiplied by the Co2e per US$M of revenue of each holding. This metric provides a snapshot of the Company's exposure to carbon intensive companies and includes scope 1 and scope 2 carbon emissions.

Carbon Data Source: Data provided by ISS ESG. All rights in the information provided by Institutional Shareholder Services Inc. and its affiliates (ISS) reside with ISS and/or its licensors. ISS makes no express or implied warranties of any kind and shall have no liability for any errors, omissions or interruptions in or in connection with any data provided by ISS.

ESG and Sustainable Investing at Fidelity

01 Fidelity's core beliefs set it apart

Long term approach to fundamental analysis

We believe that the market can be inefficient at valuing companies in the long term. Our firm, research process and compensation structure are designed to promote long term thinking.

Engagement and Sustainability

We believe that the assessment of sustainability is part of fundamental investing, and our analytical process drives better returns for clients. Our corporate access enables genuine engagement with corporates to foster change.

Global coverage, local expertise

A true understanding of a company requires a global team of locally-based analysts that can fully analyse the entire value chain.

Collaboration

Our investment team works together across industries, geographies and asset classes to leverage each other's insights.

Constant evolution

Delivering outstanding results for clients requires us to constantly evolve our research and technology to deliver excellence.

02 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

Investment Management
Integration across asset classes backed by dedicated and globally distributed specialists

Corporate Sustainability
Improving our own sustainability footprint

Active Stewardship
We engage with companies to improve their sustainable footprint and create societal value

03 Engagement

Using our corporate access, research capabilities and investment scale to improve corporate behaviour

- Our fundamental research process allows us to identify material climate-related risks and opportunities
- Our access to senior management gives us the opportunity to engage directly with decision-makers
- We engage over the long term and target meaningful carbon emission reduction and net zero characteristics, which we expect to lead to improved financial and non-financial outcomes

Company management

Engagements targeting highest emitters and climate laggards for emissions reduction targets and net zero strategies

Research analyst
Sustainable investing analyst
Portfolio manager

Fidelity has developed an approach to sustainable investing that is built on integrated ESG analysis, engagement and collaboration. It believes that each of these elements complements each other and increases the likelihood of success and enhances the returns for the Company's shareholders.

04

Components of Fidelity's Net Zero Investment Strategy

Moving towards cleaner portfolios

Climate-focused investment process*
- Governance
- Targets and objectives
- Asset allocation
- Asset class alignment
- Stewardship

Client requirements
- Return objectives
- Risk appetite
- Organisation-specific restrictions
- Alignment with environmental values

Proprietary quantitative & qualitative analysis
- ESG ratings v2
- Net zero issuer assessments (Climate Rating)
- Engagement
- Voting policy
- Industry/government collaboration

IIGCC The Institutional Investors Group on Climate Change

Source: Fidelity International. * Aligned with IIGCC

05

Companies are rated across three core areas, each with underlying factors

Net zero ambitions	
Current emissions	Emissions targets
Emissions target credibility	Sector-specific criteria
Climate governance	
Climate lobbying	Accounts & audit
Capital allocation	
Transitioning business models	Climate solutions

06

Climate assessment scale

Integration of the assessment within our broader climate change strategy

Achieving or enabling net zero	Aligning to a net zero path	High transition potential to net zero	Low transition potential to net zero	No evidence of transition potential to net zero
Issuers already have current emissions intensity performance at, or close to, net zero emissions or issuers are critical enablers to the transition to net zero through the products they provide	Issuers have committed to robust targets in line with a net zero emissions trajectory with an appropriate governance and investment plan to achieve that goal	Issuers have demonstrated a commitment towards achieving net zero and are proposing or implementing credible plans to achieve this goal	Issuers demonstrate some level of climate awareness but fall short of credible commitments to achieve carbon reduction objectives	Issuers show no indication or willingness to align emissions and business model to a global net zero world
Eligible to a Net Zero portfolio	Eligible to a Net Zero portfolio	Continued investment and engagement/voting	Continued investment and engagement/voting	No additional purchases and ultimately divestment

Top 10 Holdings

as at 31 December 2021

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

Industry: Chemicals

NOF

Portfolio Exposure **7.7%**

NOF is a diversified chemicals manufacturer with a dominant position in several niche markets, resulting in stable growth and high profitability. Its core businesses include surfactants (key components for toiletries and cosmetics) and drug delivery system (DDS) products, which ensure a drug's active ingredient is delivered and absorbed safely in the correct part of the body. NOF has also positively developed and improved its disclosure on both its financial targets and sustainability.

Industry: Precision Instruments

Olympus

Portfolio Exposure **4.9%**

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 has more than 35,000 employees globally and more than 60% of its R&D expenditure is focused on its medical business. The investment thesis is underpinned by the strength of its endoscope business and the management's commitment to improving both governance and profitability.

Industry: Wholesale Trade

MISUMI Group

Portfolio Exposure **4.9%**

MISUMI Group manufactures and distributes factory automation (FA) and metal die components. The company's distinctive business model (it provides customised products with short delivery times) and sophisticated production system, allied with its e-commerce platform, are conducive to sustainable growth. Against a backdrop of accelerating automation demand globally and persistent supply constraints, the company can deliver earnings results that exceed market expectations.

Industry: Information & Communication

Raksul

Portfolio Exposure **4.4%**

Having successfully disrupted the complex and traditional industry of printing, Raksul noticed the scope to expand into other industries. It ventured into logistics by launching Hacobell – the business to business (B2B) e-commerce platform in 2015 and followed that with the launch of Novasell – a digital marketplace for TV commercials in April 2020. The company has demonstrated continuous strong growth and continues to gain market share as a multi-disciplinary B2B platform.

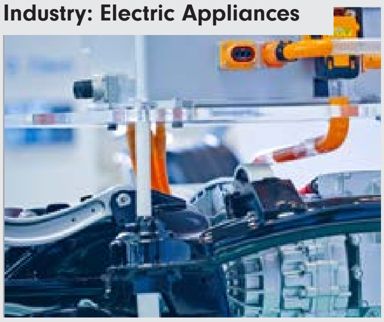
Industry: Retail Trade

Ryohin Keikaku

Portfolio Exposure **4.3%**

Ryohin Keikaku operates the MUJI brand of general merchandise stores, with eight of these based in the UK. Its share price has faced headwinds as sluggish sales trends coincided with the company incurring upfront costs aimed at driving future growth. This led to disappointment among some market participants. However, the MUJI brand remains strong and we expect its earnings to recover, supported by faster growth in Asia, centred on China.

Industry: Electric Appliances



Mitsui High-tec

Portfolio Exposure	4.2%

Mitsui High-tec dominates nearly 70% of the global motor core market, an essential component of power-train motors in electric vehicles (EV) and hybrid vehicles. The company's strength lies in its ultra-precision machining and die technology, which is used to create high-quality motor cores and machine tools. Mitsui High-tec is a leading supplier to Japanese car makers and is expanding its motor core production capacity, a clear sign of confidence in its order backlog.

Industry: Services

Oriental Land

Portfolio Exposure	4.0%

Oriental Land is an operator of theme parks, Tokyo Disney Land, Tokyo Disney Sea and other resort hotels. As a high-quality reopening play, it is expected to deliver strong revenues and profits as a result of higher visitor traffic as well as a rise in spending by its guests. Additionally, the new "Fantasy Springs" expansion within Tokyo Disney Sea planned in 2023, will boost the company's mid-term earnings growth.

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 FA name in Japan and 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.

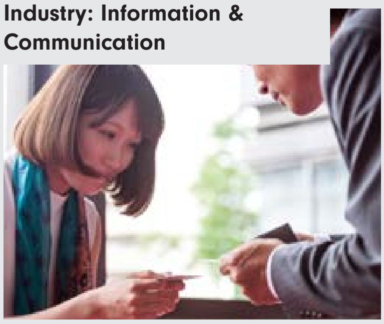
Industry: Electric Appliances

Sony

Portfolio Exposure	3.4%

Sony is an entertainment conglomerate and the global leader in console gaming (PlayStation) and complementary metal oxide semiconductor (CMOS) image sensors. It is also a major player in both the music and motion picture industries. Sony has maintained sustainable growth by shifting from hardware to monetising games, pictures and music, and retains a dominant position in the expanding semiconductor industry.

Industry: Information & Communication



Sansan

Portfolio Exposure	3.2%

Sansan is well-known as a software as a service (SaaS) platform with an industry leading 99.9% accuracy for business card digitilisation. It is expected that the company will see an acceleration in its topline growth due to its strategic focus on leveraging its expanding market recognition and providing Data Hub capabilities, which enable clients to effectively use other popular customer relationship management (CRM) tools alongside its own.

Portfolio Listing
as at 31 December 2021

The Portfolio Exposures shown below and on pages 17 to 19 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	2021 Portfolio Exposure £'000	2021 Portfolio Exposure %[1]	2020 Portfolio Exposure £'000	2020 Portfolio Exposure %[1]
Exposures – shares unless otherwise stated						
NOF (shares and long CFD)	Chemicals	13,215	23,972	7.7	8,115	2.6
Olympus (shares and long CFD)	Precision Instruments	2,339	15,180	4.9	9,076	2.9
MISUMI Group	Wholesale Trade	15,175	15,175	4.9	16,917	5.5
Raksul	Information & Communication	13,892	13,892	4.4	7,426	2.4
Ryohin Keikaku (shares and long CFD)	Retail Trade	6,534	13,435	4.3	7,531	2.4
Mitsui High-tec	Electric Appliances	13,100	13,100	4.2	1,033	0.3
Oriental Land (shares and long CFD)	Services	5,793	12,376	4.0	6,670	2.2
Keyence (shares and long CFD)	Electric Appliances	1,419	11,360	3.6	11,062	3.6
Sony	Electric Appliances	10,474	10,474	3.4	–	–
Sansan	Information & Communication	9,990	9,990	3.2	6,327	2.0
Ten largest exposures (2020: £127,950,000 representing portfolio exposure of 41.4%)		**91,931**	**138,954**	**44.6**		
Koito Manufacturing (shares and long CFD)	Electric Appliances	2,849	8,792	2.8	16,012	5.2
Kansai Paint	Chemicals	8,663	8,663	2.8	211	0.1
Coconala	Information & Communication	7,871	7,871	2.5	3,164	1.0
UT Group	Services	7,721	7,721	2.5	6,614	2.2
JustSystems	Information & Communication	7,700	7,700	2.5	11,607	3.8
Recruit Holdings (long CFD)	Services	27	7,608	2.4	11,779	3.8
Yamaha	Other Products	7,420	7,420	2.4	9,018	2.9
Ajinomoto	Foods	6,797	6,797	2.2	–	–
Asoview	Unlisted	6,415	6,415	2.0	–	–
Rinnai	Metal Products	6,361	6,361	2.0	3,794	1.2
Kotobuki Spirits	Foods	5,829	5,829	1.9	6,279	2.0
Morinaga Milk Industry	Foods	5,444	5,444	1.7	–	–
Daikin Industries	Machinery	5,221	5,221	1.7	5,655	1.8
AGC	Glass & Ceramics Products	5,107	5,107	1.6	–	–
Visional	Information & Communication	5,098	5,098	1.6	–	–
Shimadzu	Precision Instruments	4,905	4,905	1.6	6,000	2.0
Riken Keiki	Precision Instruments	4,661	4,661	1.5	–	–

Name	Sector	Fair Value £'000	2021 Portfolio Exposure £'000	2021 Portfolio Exposure %[1]	2020 Portfolio Exposure £'000	2020 Portfolio Exposure %[1]
Shimano (long CFD)	Transportation Equipment	(195)	4,640	1.5	10,205	3.3
Nojima	Retail Trade	4,520	4,520	1.4	5,870	1.9
DIP	Services	4,475	4,475	1.4	1,644	0.5
Giftee	Information & Communication	4,323	4,323	1.4	3,527	1.1
Round One	Services	4,217	4,217	1.3	1,236	0.4
Shibaura Electronics	Electric Appliances	4,010	4,010	1.3	–	–
Toyota Tsusho	Wholesale Trade	3,858	3,858	1.2	–	–
SEMITEC	Electric Appliances	3,739	3,739	1.2	–	–
Simplex Holdings	Information & Communication	3,530	3,530	1.1	–	–
Nihon M&A Center (long CFD)	Services	150	3,437	1.1	3,376	1.1
Makita	Machinery	3,100	3,100	1.0	644	0.2
Tokyo Base	Retail Trade	2,747	2,747	0.9	1,044	0.3
WingArc1st	Information & Communication	2,747	2,747	0.9	–	–
Central Automotive Products	Wholesale Trade	2,724	2,724	0.9	2,134	0.7
Hirano Tecseed	Machinery	2,675	2,675	0.9	1,892	0.6
Miura	Machinery	2,672	2,672	0.9	3,715	1.2
Photosynth	Information & Communication	2,665	2,665	0.9	–	–
Moneytree	Unlisted	2,641	2,641	0.8	1,595	0.5
TDK (shares and long CFD)	Electric Appliances	665	2,578	0.8	9,570	3.1
iYell	Unlisted	2,566	2,566	0.8	–	–
Yoriso	Unlisted	2,557	2,557	0.8	–	–
Spiber	Unlisted	2,436	2,436	0.8	–	–
Minkabu The Infonoid	Information & Communication	2,435	2,435	0.8	2,847	0.9
Nextone	Services	2,386	2,386	0.8	–	–
m-up	Information & Communication	2,336	2,336	0.7	940	0.3
Nihon Flush	Other Products	2,227	2,227	0.7	3,001	1.0
Plaid	Information & Communication	2,053	2,053	0.7	579	0.2
Circulation	Services	2,049	2,049	0.6	–	–
Azbil	Electric Appliances	2,016	2,016	0.6	929	0.3
Kamakura Shinsho	Services	2,007	2,007	0.6	3,323	1.1
Koshidaka Holdings	Services	1,770	1,770	0.6	976	0.3
SoftBank Group (long CFD)	Information & Communication	7	1,757	0.6	–	–

Portfolio Listing continued

Name	Sector	Fair Value £'000	2021 Portfolio Exposure £'000	2021 Portfolio Exposure %[1]	2020 Portfolio Exposure £'000	2020 Portfolio Exposure %[1]
JMDC	Information & Communication	1,745	1,745	0.6	704	0.2
RS Technologies	Metal Products	1,734	1,734	0.6	–	–
Rakuten	Services	1,713	1,713	0.5	–	–
Bengo4.com	Services	1,707	1,707	0.5	–	–
Management Solutions	Services	1,626	1,626	0.5	–	–
Proto	Information & Communication	1,504	1,504	0.5	–	–
Techno Smart	Machinery	1,490	1,490	0.5	1,097	0.4
Yappli	Information & Communication	1,479	1,479	0.5	731	0.2
West Holdings	Construction	1,452	1,452	0.5	2,309	0.8
Information Services International-Dentsu	Information & Communication	1,405	1,405	0.4	2,052	0.7
JTOWER	Information & Communication	1,387	1,387	0.4	–	–
SWCC Showa Holdings	Nonferrous Metals	1,348	1,348	0.4	–	–
Digital Garage	Information & Communication	1,313	1,313	0.4	1,260	0.4
Z Holdings	Information & Communication	1,289	1,289	0.4	15,252	4.9
Daiichi Kosho	Wholesale Trade	1,252	1,252	0.4	1,388	0.5
Horiba	Electric Appliances	1,191	1,191	0.4	1,640	0.5
SHIFT	Information & Communication	1,086	1,086	0.3	–	–
AirTrip	Services	1,067	1,067	0.3	–	–
Midac	Services	932	932	0.3	–	–
Hitachi Zosen	Machinery	852	852	0.3	298	0.1
Creema	Information & Communication	843	843	0.3	3,420	1.1
Green Earth Institute	Services	800	800	0.3	–	–
Shibaura Machine	Machinery	724	724	0.2	–	–
SBI Holdings	Securities & Commodity Futures	711	711	0.2	–	–
Safie	Information & Communication	646	646	0.2	–	–
Optorun	Machinery	630	630	0.2	–	–
freee	Information & Communication	595	595	0.2	1,590	0.5
Hitachi	Electric Appliances	591	591	0.2	–	–
Innophys	Unlisted	586	586	0.2	738	0.3
MonotaRO	Retail Trade	556	556	0.2	2,066	0.7
Healios	Pharmaceutical	435	435	0.1	–	–

Name	Sector	Fair Value £'000	2021 Portfolio Exposure £'000	2021 Portfolio Exposure %[1]	2020 Portfolio Exposure £'000	2020 Portfolio Exposure %[1]
GL Sciences	Precision Instruments	397	397	0.1	–	–
Noritsu Koki	Precision Instruments	204	204	0.1	–	–
Sumitomo Densetsu	Construction	189	189	0.1	262	0.1
Cosmos Initia	Real Estate	122	122	–	113	–
C. Uyemura	Chemicals	95	95	–	–	–
Dai-ichi Life Holdings	Insurance	73	73	–	–	–
Toyota Motor	Transportation Equipment	61	61	–	–	–
Pan Pacific International Holdings	Retail Trade	38	38	–	3,702	1.2
Nitori Holdings	Retail Trade	22	22	–	276	0.1
Hokkaido Chuo Bus	Land Transportation	9	9	–	103	–
Total Portfolio (including long CFDs)		**308,027**	**380,359**	**121.6**		

Fair Value and Portfolio Exposure of Investments as at 31 December 2021

	Fair Value £'000	2021 Portfolio Exposure £'000	2021 Portfolio Exposure %[1]	2020 Portfolio Exposure £'000	2020 Portfolio Exposure %[1]
Investments (Note 9 – see pages 64 and 65)	307,738	307,738	98.4	303,002	98.1
Derivative instrument assets – long CFDs (Note 10 – see page 65)	1,006	43,165	13.8	71,273	23.1
Derivative instrument liabilities – long CFDs (Note 10 – see page 65)	(717)	29,456	9.4	7,013	2.3
	289	72,621	23.2	78,286	25.4
Total Portfolio (including long CFDs)	**308,027**	**380,359**	**121.6**	**381,288**	**123.5**
Shareholders' Funds		**312,653**		**308,806**	
Gearing[2]			**21.6%**		**23.5%**

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.

Distribution of the Portfolio

as at 31 December 2021

The table below details the Distribution of the Portfolio based on Portfolio Exposure which measures the exposure of the portfolio to market price movements as a result of owning shares and derivatives instruments.

Sector	2021[1] Total %	2021[2] Index %	2020[1] Total %
Information & Communication	25.5	8.0	24.6
Electric Appliances	18.5	20.1	33.1
Services	17.7	6.3	13.3
Chemicals	10.5	6.8	4.2
Precision Instruments	8.2	2.9	4.9
Wholesale Trade	7.4	5.3	6.7
Retail Trade	6.8	4.1	6.7
Foods	5.8	3.3	2.0
Machinery	5.7	5.6	5.0
Unlisted	5.4	–	1.8
Other Products	3.1	2.2	3.9
Metal Products	2.6	0.6	1.5
Glass & Ceramics Products	1.6	0.8	0.5
Transportation Equipment	1.5	8.1	3.8
Construction	0.6	2.2	1.8
Nonferrous Metals	0.4	0.7	0.8
Securities & Commodity Futures	0.2	0.7	0.6
Pharmaceuticals	0.1	4.8	0.2
Land Transportation	–	2.9	0.9
Real Estate	–	1.8	2.5
Other Financing Business	–	1.1	4.3
Rubber Products	–	0.7	0.4
Banks	–	4.7	–
Insurance	–	2.0	–
Electric Power & Gas	–	1.1	–
Iron & Steel	–	0.7	–
Marine Transportation	–	0.5	–
Textiles & Apparels	–	0.5	–
Air Transportation	–	0.4	–
Oil & Coal Products	–	0.4	–
Mining	–	0.2	–
Pulp & Paper	–	0.2	–
Warehousing & Harbour Transportation Services	–	0.2	–
Fishing, Agriculture & Forestry	–	0.1	–
	121.6	**100.0**	**123.5**

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

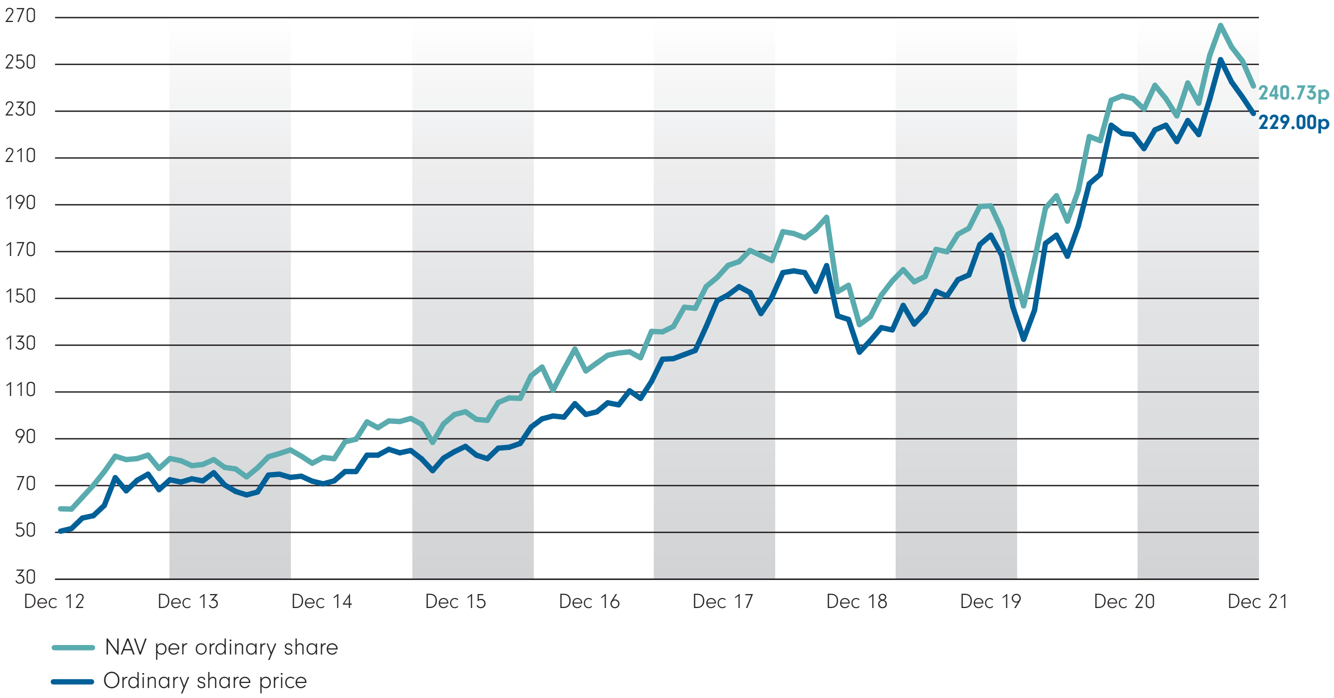
For the year ended 31 December	**2021**	2020	2019	2018	2017	2016	2015	2014	2013	2012
Assets										
Total portfolio exposure (£m)[1]	**380.4**	381.3	295.4	216.0	264.1	206.9	135.3	113.5	105.1	70.2
Shareholders' funds (£m)	**312.7**	308.8	252.5	187.5	222.5	166.4[2]	116.0	92.9	90.0[3]	58.0
NAV per ordinary share (p)[4]	**240.73**	236.53	189.55	138.77	164.10	122.37	101.56	81.48	79.02	59.94
Share price and Discount data										
Ordinary share price (p)	**229.00**	220.50	177.00	127.00	151.50	101.50	86.75	72.00	72.00	51.63
Discount to NAV %[4]	**4.9**	6.8	6.6	8.5	7.7	17.1	14.6	11.6	8.9	13.9
Revenue and Costs										
Revenue return/(loss) per ordinary share (p)[4]	**1.61**	1.56	0.29	(0.07)	(0.22)	0.07	(0.14)	(0.45)	(0.30)	(0.06)
Ongoing charges (%) (cost of running the Company)[4]	**0.90**	0.94	0.98	1.10	1.31	1.46	1.52	1.62	1.80	2.00
Gearing										
Gearing (%)[4]	**21.6**	23.5	17.0	15.2	18.7	24.3	16.6	22.2	16.8	21.0
Performance Total Returns										
NAV per ordinary share (%)[4]	**+1.8**	+24.8	+36.6	-15.4	+34.1	+20.5	+24.6	+3.1	+31.8	-6.6
Ordinary share price (%)[4]	**+3.9**	+24.6	+39.4	-16.2	+49.3	+17.0	+20.5	0.0	+39.5	-1.7
Reference Index (in sterling terms) (%)[5]	**+2.0**	+9.5	+14.6	-8.3	+17.5	+22.0	+19.4	+5.1	+21.7	-3.1

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 (See page 75).
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.

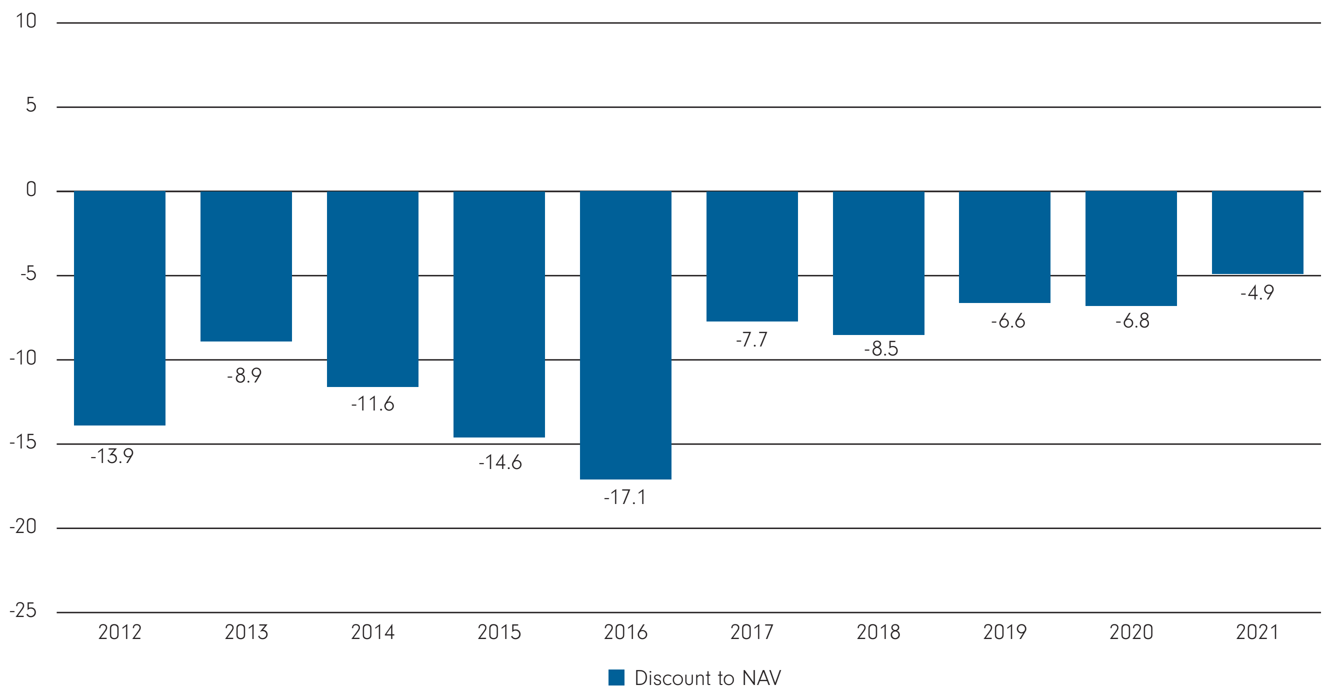
Summary of Performance Charts

NAV and ordinary share price for ten years to 31 December 2021



Sources: Fidelity and Datastream.

Share price discount to NAV for ten years to 31 December 2021 (%)



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 8 also form part of the Strategic Report.

Business And Status

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

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

Objective

The Company'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 FIL Investment Services (UK) Limited as AIFM of the Company. 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 2021.

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 their future growth potential.

Investment Policy

The Company will primarily invest 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.

As noted in the Chairman's Statement on pages 2 and 3, the Board is seeking shareholder approval for a change to the Investment Policy to increase the unlisted securities limit from 10% to 20% of assets. Details of the proposed changes to the Investment Policy can be found in the Appendix to the Notice of Meeting on page 81.

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 the time of purchase. This 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 other than shares. 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

Strategic Report continued

market movements on the portfolio. If the portfolio value rises, the NAV will be positively impacted. Conversely if it falls, the NAV will be adversely impacted.

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

The level of gearing is reviewed regularly by the Board and the Portfolio Manager. Currently, the Portfolio Manager has discretion to be up to 25% geared. At the year end the Company was 21.6% geared (2020: 23.5%).

Performance
The Company's performance for the year ended 31 December 2021, including a summary of the year's activities, and details on trends and factors that may impact the future performance of the Company are included in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 8. The Portfolio Listing, Distribution of the Portfolio, Ten Year Record and Summary of Performance Charts are on pages 16 to 22.

Results
The Company's results for the year ended 31 December 2021 are set out in the Income Statement on page 54. The revenue return was 1.61 pence and the capital return was 2.50 pence, giving a total return of 4.11 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 in the next column. 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 2021 %	Year ended 31 December 2020 %
NAV per ordinary share total return[1]	**+1.8**	+24.8
Share price total return[1]	**+3.9**	+24.6
Reference Index (in sterling terms) total return	**+2.0**	+9.5
Discount to NAV[1]	**4.9**	6.8
Ongoing charges[1,2]	**0.90**	0.94

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

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 risk to be the longer-term ramifications from the pandemic and climate change.

Climate change is one of the most critical emerging issues confronting asset managers and their investors. It refers to a large-scale shift in the planet's weather patterns and average temperatures. Climate change risk includes how climate change can affect the Company's investments and potentially shareholder returns. The Board notes that the Manager has integrated ESG considerations, including climate change, into the Company's investment process. Further details are on pages 9 to 11. The Board will continue to monitor this.

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	Mitigation
Geopolitical and Natural Disaster Risks	
Geopolitical Risk is the potential for political, socio-economic and cultural events, trends and developments to have an adverse effect on the Company's assets. The increased geopolitical risk from the current conflict between Russia and Ukraine may impact the Company as there is greater economic uncertainty. This has already affected energy and commodity markets and may cause further negative impacts on the global economy. Other geopolitical risks include, but are not limited to, US/China tensions and North Korean aggression. In our increasingly globalised and connected world, the impact a single event or shift in policy can have on countries, corporations and individuals alike can be magnified through a complex web of interrelated risks and themes. 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.	The Board is provided with a detailed investment review which covers material economic, market and legislative changes at each Board meeting. Although it is unclear how long the Russia and Ukraine conflict will last, Russia accounted for just 1% of Japanese exports and 1.8% of total imports in 2021, and therefore the direct impact is not significant. The direct impact of the situation in Ukraine on portfolio holdings is also relatively limited. However, the ramifications of a global downturn could have a significant impact on the Japanese economy. The Portfolio Manager's Review on page 8 provides further detail on the conflict and its impact on the Company's portfolio and on Japanese households and corporates. Whilst natural disasters cannot be averted, the Board is comfortable that the Manager has a robust business continuity plan in place.
Performance and Gearing Risks	
The portfolio is actively managed and performance risk is inherent in the investment process. 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 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 will 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 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. The Company currently has no bank loans and gears through the use of long CFDs which provide greater flexibility and are significantly cheaper than bank loans. The Board regularly considers the level of gearing and gearing risk and sets limits within which the Portfolio Manager must operate.

Strategic Report continued

Principal Risks	Mitigation
Discount Control and Demand Risks	
The price of the Company's shares may not always reflect their underlying value. There is a risk that the Company's shares trade at a persistent and significant discount to the NAV.	The market value of the Company's shares and its discount to NAV are factors which are not within the Board's total control. The Board continues to adopt a formal discount control policy whereby it will actively 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.
There is a risk that the demand for the Company's shares may fall due to poor performance, changes in investor sentiment and attitudes towards investment in Japan.	The demand for shares is influenced by the appeal of Japanese markets and through good performance and an active investor relations program. The Board reviews analysis of the shareholder register at each Board meeting which allows the Board to monitor the relevance of the Company's mandate to shareholders and remain abreast of market sentiment.
Key Person Risk	
The loss of the Portfolio Manager or other key individuals could lead to potential performance, operational or regulatory issues. There is a risk that the Manager has an inadequate succession plan for key individuals, particularly with stock selection expertise in Japanese markets.	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. The Company has an Assistant Portfolio Manager with extensive experience in the Japanese market and attends Board meetings alongside the Portfolio Manager. The Assistant Portfolio Manager shares a common investment approach and complementary investment experience with the Portfolio Manager. This has brought greater rigour to the investment process and has also increased the ability to meet more companies.
Market, Economic and Currency Risks	
The Company's assets consist mainly of listed securities. Therefore, its principal risks also include market related risks such as market downturn, interest rate movements, deflation/inflation and exchange rate movements. The Portfolio Manager's success or failure to protect and increase the Company's assets against this background is core to the Company's continued success. 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. The impact of COVID on the markets is discussed in the Portfolio Manager's Review on pages 4 to 8.	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 67 to 73 together with summaries of the policies for managing these risks. 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 67 to 73.

Principal Risks	Mitigation
Cybercrime Risk The operational risk from cybercrime is significant. A cyber attack could result in the loss of confidential information or cause a significant disruption to the Company's operations. Cybercrime threats evolve rapidly and include phishing, remote access threats, extortion and denial-of-services attacks.	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. Fidelity has also established a dedicated cybersecurity team which provides regular awareness updates and best practice guidance. The Manager also has a dedicated detect and respond resource to specifically monitor cyber threats associated with COVID. The Board receives regular updates from the Manager in respect of the type and possible scale of cyberattacks.
Environmental, Social and Governance ("ESG") Risks There is a risk that the value of the Company's assets are negatively impacted by ESG related risks, including climate change.	The Board notes that the Manager has embedded ESG factors including climate change 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 and is designed to generate forward-looking assessments of companies ESG risks based on sector-specific key performance indicators across many 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 9 to 11.
Operational Resilience Risk 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. In the event of a significant failure by the service providers to perform their obligations or suffer a major operational failure the Company's ability to operate could be severely impacted.	The Manager continually reviews its business continuity plans and operational resilience strategies on an ongoing basis. The Manager continues to take all reasonable steps to meet its regulatory obligations, assess its ability to continue operating and the steps it needs to take to support its clients including the Board. 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. The Registrar, Custodian and Depositary are all subject to a risk-based programme of internal audits by the Manager and their own internal controls reports are received by the Board on an annual basis and any concerns are investigated. The Company's other third party service providers have also confirmed the implementation of appropriate measures to ensure no business disruption. Risks associated with these services are generally rated as low, but the financial consequences could be serious, including reputational damage to the Company.

Strategic Report continued

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.

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 on 17 May 2022 and the Directors expect the vote to be passed.

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 level of gearing;
- 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;
- Future income and expenditure forecasts; and
- The Company will offer its shareholders a continuation vote at the AGM on 17 May 2022.

The Company's performance has been very strong for the five year reporting period to 31 December 2021, with a NAV total return of 96.7% and a share price total return of 125.6% compared to the Reference Index total return of 38.0%. 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;
- The Board's assessment of the principal risks and uncertainties facing the Company, as set out on pages 24 to 28 and their potential impact; and
- The expectation that a majority of shareholders will vote in favour of the continuation of the Company at the AGM on 17 May 2022.

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 32.

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, 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 (FIL Investment Services (UK) Limited) 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 23 and 24.

The Board places great importance on communication with shareholders. The Annual General Meeting provides the key forum for the Board and Portfolio Manager to present to the shareholders on the Company's performance and future plans and the Board encourages all shareholders to attend in person or virtually, 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 83 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 in detail on pages 9 to 13.

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:

– arranging meetings with key shareholders on David Graham's appointment as Chairman to discuss the Company's strategy, performance and portfolio;

– authorising the repurchase of 678,032 ordinary shares into Treasury when market conditions permitted in order to keep the Company's discount in single digits;

– spending time with the promotional team to understand how best to raise the Company's profile;

– increasing the marketing budget of the Company to better promote the performance of the Portfolio Manager and raise the Company's profile in its sector.

– the decision to seek shareholder approval to increase the limit on unlisted investments from 10% to 20% in order to benefit from the growing opportunities for investment in unlisted investments; and

– the decision to hold a hybrid AGM in 2022 in order to make the Annual General Meeting more accessible and improve the shareholder experience.

Board Diversity

The Board carries out any candidate search against a set of objective criteria on the basis of merit, with due regard for the benefits of diversity on the Board, including gender. At 31 December 2021, there were three male Directors and one female Director on the Board.

Board Apprentice Scheme

The Board continues to participate in the Board Apprentice Scheme which is the result of a government-supported scheme to give board exposure to aspiring non-executive directors, particularly women and minority groups. The Board will conduct interviews in early Autumn of this year and expects to appoint an apprentice by 31 December 2022.

Environmental, Social And Governance ("ESG") in the Investment Process

The Board has contracted with the Manager 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 and Investment Manager) 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 9 to 13 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.

Strategic Report continued

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.

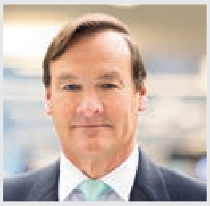
Bribery Act 2010
The Company is committed to carrying out business fairly, honestly and openly. The Board recognises the benefits this has for reputation and business confidence. The Board, the Manager, the Manager's employees and others acting on the Company's behalf, are expected to demonstrate high 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 8.

By Order of the Board
FIL Investments International
Secretary
25 March 2022

Board of Directors



David Graham
Chairman
(since 18 May 2021)
Appointed 22 May 2018

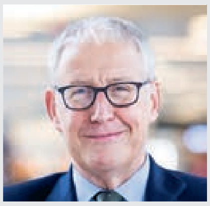
A M N

David Graham is also 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.

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

A M N

Sarah MacAulay is also Chairman of Schroder Asian Total Return Investment Company plc and JP Morgan Multi-Asset Growth & Income plc. She is also a non-executive Director of Abrdn China Investment Company Ltd. 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 management experience based both in London and Hong Kong, managing institutional assets and unit trusts. She is also a Trustee of Glendower School Trust, an educational charitable Trust.



David Barron
Chairman of the Audit Committee
(since 18 May 2021)
Appointed 20 October 2020

A M N

David Barron is also Chairman of Dunedin Income Growth Investment Trust PLC. He is also a non-executive Director of Premier Miton Group PLC and BlackRock Sustainable American Income Trust plc.] He is a Chartered Accountant. He is also a lay-member of the Council of Lancaster University. Previously 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.

Dominic Ziegler
Director
Appointed 17 November 2014

A M N

Dominic Ziegler also currently holds the post of Asia Columnist and Senior Asia Writer at The Economist in Singapore. 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.

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 2021.

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 (2020: same).

The Board reviews the Management Agreement at least annually and details are included in the Corporate Governance Statement on page 37.

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 provided 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 is calculated. The performance history has built up to a period of three years and therefore the performance period has started 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.

Fees for the reporting year were £2,877,000 (2020: £2,035,000) and are disclosed in Note 4 on page 61. In addition, the Manager provides secretarial and administration services which for the reporting year were £50,000 (2020: £50,000) and are disclosed in Note 5 on page 62.

The Board
All Directors, other than David Robins, served on the Board throughout the year ended 31 December 2021. In line with the Board's succession plan, David Robins stepped down from the Board on 18 May 2021 and David Graham was appointed Chairman in his place. David Barron took over as Chairman of the Audit Committee at the same time.

A brief description of all serving Directors as at 31 December 2021 is shown on page 31 and indicates their qualifications for Board membership.

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

Going Concern Statement
The Financial Statements of the Company have been prepared on a going concern basis.

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 the projected income and expenditure, are satisfied that the Company is financially sound and has adequate resources to meet all of its liabilities and ongoing expenses and continue in operational existence for the foreseeable future. The Board has therefore concluded that the Company has adequate resources to continue to adopt the going concern basis for the period to 31 March 2023 which is at least twelve months from the date of approval of the Financial Statements. In preparing the Financial Statements, the Directors have considered the impact of climate change, particularly in the context of the climate change emerging risk identified in the Strategic Report on page 24. The prospects of the Company over a period longer than 12 months can be found in the Viability Statement on page 28.

Auditor's Appointment
A resolution to reappoint Ernst & Young LLP as Auditor to the Company will be proposed at the AGM on 17 May 2022.

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

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

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

Corporate Governance
The Corporate Governance Statement forms part of this report and can be found on pages 36 to 39.

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 62.

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 2021, the share capital of the Company was 136,161,695 ordinary shares (2020: 136,161,695) of which 6,284,801 shares (2020: 5,606,769) are held in Treasury. Shares in Treasury do not have voting rights, therefore, the total number of ordinary shares with voting rights was 129,876,894 (2020: 130,554,926).

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 2021 (2020: 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 17 May 2022 and resolutions to renew these authorities will be put to shareholders at this AGM.

Share Repurchases
In the reporting year, 678,032 (2020: 2,652,164) ordinary shares were repurchased for holding in Treasury. This represented 0.5% of issued share capital. Since the year end and as at the date of this report, no further shares have been repurchased into Treasury or for cancellation.

The authority to repurchase ordinary shares expires at the AGM on 17 May 2022 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
As at 31 December 2021 and 28 February 2022, notification had been received that the shareholders listed in the table below held more than 3% of the voting share capital of the Company.

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 23 to 30.

Shareholders	28 February 2022 %	31 December 2021 %
Lazard Asset Management	**17.5**	**17.6**
Allspring Global Investments	**8.9**	**9.9**
Hargreaves Lansdown	**7.8**	**8.0**
Fidelity Platform Investors	**7.4**	**7.4**
City of London Investment Management	**7.2**	**6.4**
Interactive Investor	**5.4**	**5.4**
Wesleyan Assurance	**4.0**	**4.0**
Canaccord Genuity Wealth Management	**3.9**	**4.0**
Brewin Dolphin	**3.4**	**2.8**

Directors' Report continued

ANNUAL GENERAL MEETING – 17 MAY 2022

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.

The AGM of the Company will be held at **2.00pm** on **Tuesday, 17 May 2022** at Fidelity's offices at 4 Cannon Street, London EC4M 5AB (nearest tube stations are St. Paul's or Mansion House) and virtually via the online Lumi AGM meeting platform. Full details of the meeting are given in the Notice of Meeting on pages 77 to 81.

Appropriate social distancing and hygiene measures will be in place for those shareholders attending the AGM in person. For those shareholders who would prefer not to attend in person or for whom travel is not convenient, we will live-stream the formal business and presentations of the meeting online.

Nicholas Price, the Portfolio Manager, will be making a presentation to shareholders highlighting the achievements and challenges of the year past and the prospects for the year to come. Nicholas and the Board will be very happy to answer any questions that shareholders may have. 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.

Properly registered shareholders joining the AGM virtually will be able to vote on the proposed resolutions. Please see Note 8 to the Notes to the Notice of Meeting on page 79 for details on how to vote virtually. Investors viewing the AGM online will be able to submit live written questions to the Board and the Portfolio Manager and these will be addressed on their behalf at an appropriate juncture during the meeting.

Further information and links to the Lumi platform may be found on the Company's website **www.fidelity.co.uk/japan**. On the day of the AGM, in order to join electronically and ask questions via the Lumi platform, shareholders will need to connect to the website **https://web.lumiagm.com**.

We urge shareholders to vote and make use of the proxy form provided. Please note that investors on platforms such as Fidelity Personal Investing, Hargreaves Lansdown, Interactive Investor or AJ Bell Youinvest will need to request attendance at the AGM in accordance with the policies of your chosen platform. They may request that you submit electronic votes in advance of the meeting. If you are unable to obtain a unique IVC and PIN from your nominee or platform, we will also welcome online participation as a guest. Once you have accessed **https://web.lumiagm.com** from your web browser on a tablet or computer, you will need to enter the **Lumi Meeting ID** which is **172-394-186**. You should then select the 'Guest Access' option before entering your name and who you are representing, if applicable. This will allow you to view the meeting and ask questions but you will not be able to vote.

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. 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, for ease of voting this year, we will send a paper Proxy Form to all shareholders who hold shares on the main share register. This will assist shareholders to vote in advance of the meeting should they decide not to attend in person.

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 17 May 2022, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 77 and 78, including the items of special business summarised below and on page 35.

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 25 March 2022, 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 25 March 2022 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% (19,468,546) of the ordinary shares in issue (excluding Treasury Shares) on 25 March 2022, 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.

Proposed Changes to the Investment Policy

Resolution 12 is an ordinary resolution regarding the proposed changes to the Company's Investment Policy to increase the limit on unlisted investments from 10% to 20% to reflect the growing importance of unlisted investments. The full text and the changes in black-line are included in the Appendix to the Notice of Meeting on page 81.

Continuation Vote

Resolution 13 is an ordinary resolution regarding the continuation of the Company as an investment trust for a further three years. The Directors expect this continuation vote to be passed.

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
25 March 2022

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 43, 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 Graham, consists of four non-executive Directors.

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 31.

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. Due to the ongoing pandemic, the trip scheduled for February 2021 was postponed and a series of "virtual" visits were carried out. The Board is hopeful that current restrictions on foreign visitors will be relaxed by the Japanese Government so that a visit to Japan in June 2022 can take place 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 Graham	5/5	1/1	3/3	1/1
David Barron	5/5	1/1	3/3	1/1
Sarah MacAulay	5/5	1/1	3/3	1/1
Dominic Ziegler	5/5	1/1	3/3	1/1
David Robins*	2/2	n/a	1/1	1/1

* Retired on 18 May 2021.

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 and discussing possible candidates. However, any proposal for a new Director is 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 will be standing for re-election at this year's AGM and are listed, together with their biographical details, on page 31. The terms and letters of appointment of Directors are available for inspection at the registered office of the Company.

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 2021 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 41 and 42.

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 Barron and consists of all of the Directors. Full details are disclosed in the Report of the Audit Committee on pages 44 to 46.

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

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

Manager's Reappointment
Ahead of the AGM, the Committee has reviewed the performance of the Manager and the current fee 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 2021 is in the Directors' Report on page 32.

Corporate Governance Statement continued

Nomination Committee

Composition
The Nomination Committee is chaired by David Graham 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, with no connection with the Company, are used to identify potential candidates.

The Committee also considers the election and re-election of Directors ahead of each AGM. For the forthcoming AGM, it has considered the performance and contribution of each Director and concluded that each Director seeking re-election has been effective and continues to demonstrate commitment to their roles. This has been endorsed by the Board, which recommends their reappointment by shareholders at the AGM on 17 May 2022.

ACCOUNTABILITY AND AUDIT

Financial Reporting
Set out on page 43 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 47 to 53.

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 2021 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 during 2021. 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 83. 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.

The Board encourages all shareholders to attend the Company's AGM on 17 May 2022 at which they will have the opportunity to meet and address questions to the Chairman, other members of the Board, the Portfolio Manager and representatives of the Manager. Nicholas Price, the Portfolio Manager, will be making a presentation to shareholders highlighting the achievements and challenges of the year past and the prospects for the year to come. For those shareholders who would prefer not to attend in person, we will live-stream the formal business and presentations of the meeting online. Further details of how to join virtually are in Note 8 to the Notes to the Notice of Meeting on page 79.

The Notice of Meeting on pages 77 to 81 sets out the business of the AGM and the special business resolutions are explained more fully on pages 34 and 35 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.

On behalf of the Board

David Graham
Chairman
25 March 2022

Directors' Remuneration Report

Chairman's Statement
The Directors' Remuneration Report for the year ended 31 December 2021 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 17 May 2022. 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 47 to 53.

Directors' Remuneration
The annual fee structure with effect from 1 January 2022 is as follows: Chairman: £38,500; Chairman of the Audit Committee: £31,500; and Directors: £27,500. Prior to this, the annual fee structure had remained unchanged since 1 January 2020 and was as follows: Chairman: £37,000; Chairman of the Audit Committee: £30,000; and Directors: £26,000. 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 2021 and up to the date of this report.

Voting on the Directors' Remuneration Report
At the AGM held on 18 May 2021, 99.83% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 December 2020, 0.15% of votes were cast against and 0.02% of votes were withheld.

The Directors' Remuneration Report for the year ended 31 December 2021 will be put to shareholders at the AGM on 17 May 2022, 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 £128,900 (2020: £160,200). 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.

	2022 Projected fees (£)	**2021 Fees (Audited) (£)**	**2021 Taxable Expenses (Audited) (£)**	**2021 Total (Audited) (£)**	2020 Fees (Audited) (£)	2020 Taxable Expenses (Audited) (£)	2020 Total (Audited) (£)
Remuneration of Directors							
David Graham[1]	38,500	**34,400**	**–**	**34,400**	28,500	–	28,500
David Barron[2]	31,500	**28,500**	**–**	**28,500**	5,200	–	5,200
Sarah MacAulay	27,500	**26,000**	**–**	**26,000**	26,000	–	26,000
Dominic Ziegler	27,500	**26,000**	**–**	**26,000**	26,000	–	26,000
David Robins[3]	n/a	**14,000**	**–**	**14,000**	37,000	–	37,000
Philip Kay[4]	n/a	**n/a**	**n/a**	**n/a**	26,000	–	26,000
Sir Laurence Magnus[5]	n/a	**n/a**	**n/a**	**n/a**	11,500	–	11,500
Total	125,000	**128,900**	**–**	**128,900**	160,200	–	160,200

1 2021 fees pro-rated to reflect becoming Chairman from 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 Retired on 18 May 2021.
4 Retired on 31 December 2020.
5 Retired on 19 May 2020.

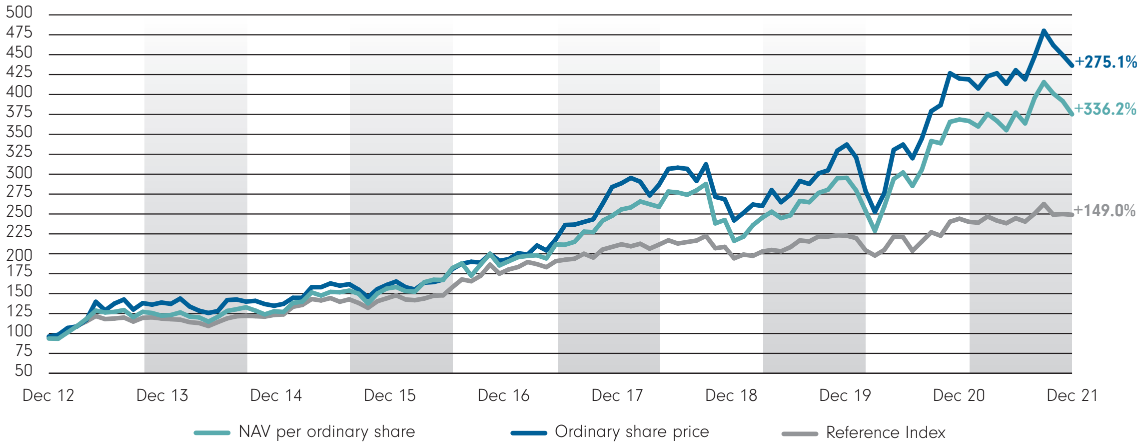
Five year change comparison in Directors' Remuneration
The table below sets out the change in Directors' fees over the last five years.

Director	**2021**	2016	Change (%)
Chairman	**37,000**	30,000	+23.3
Audit Committee Chair	**30,000**	23,000	+30.4
Director	**26,000**	20,000	+30.0

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 2021.

Total return performance for the ten years to 31 December 2021



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.

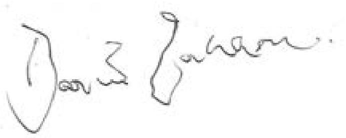
Directors' Shareholdings (Audited)

	31 December 2021	31 December 2020	Change during year
David Graham[1]	**78,489**	67,000	11,489
David Barron	**19,366**	19,366	–
Sarah MacAulay[1]	**153,545**	122,350	31,195
Dominic Ziegler	**16,000**	16,000	–
David Robins[2]	**n/a**	37,000	n/a

1 Purchase of shares by self and connected persons.
2 Retired on 18 May 2021.

Sarah MacAulay purchased 27,795 ordinary shares in the Company since the end of the reporting year. All other shareholdings remain unchanged as at the date of this report.

On behalf of the Board



David Graham
Chairman
25 March 2022

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. Under company law the directors must not approve the Financial Statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- 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 that are sufficient to show and explain the company's transactions and 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.

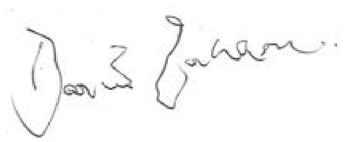
Under applicable law and regulations the Directors are also responsible for preparing a Strategic Report, a Directors' Report, a Corporate Governance Statement and a Directors' Remuneration Report that comply with that law and those regulations.

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 25 March 2022 and signed on its behalf by:



David Graham
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 2021.

Composition
The members of the Committee as at the date of this report are myself as Chairman and all of the other Directors. David Graham 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 (26 March 2021), the Committee has met three times and the Auditor attended two 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 the 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 2021	• The Half-Yearly Report and Financial Statements and recommendation of its approval to the Board • The Going Concern Statement
October 2021	• The Auditor's engagement letter and audit plan for the Company's year ending 31 December 2021 • The Manager's internal audit reporting, including a 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 during the ongoing pandemic • 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, including the impact of climate change and the COVID pandemic
March 2022	• 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 ongoing impact of the pandemic on the Company's performance, prospects and operations • Emerging risks, in particular the climate change risk and emerging geopolitical risks • Geopolitical risks from the Russia and Ukraine conflict and its impact on energy prices and commodities and also Russian sanctions

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 43. 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 58. The Manager provided detailed revenue forecasts which the Committee reviewed and sought explanations for any significant variances to these forecasts. 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 and other unlisted investments)	The valuation of investments (including derivatives) is in accordance with Accounting Policy Notes 2 (j) and 2 (k) on pages 59 and 60. The Committee took comfort from the Depositary's regular oversight reports that investment related activities are conducted in accordance with the Company's investment policy. The Committee received reports from the Manager, the Depositary and an additional internal controls report ("AAF" report) prepared on behalf of the Manager from PricewaterhouseCoopers LLP which concluded that controls around the valuation, existence and ownership of investments operate effectively. The valuation of the Company's unlisted investments is proposed by the Manager's Fair Value Committee ("FVC") and reviewed by the Audit Committee. It receives reporting from the FVC and reviews and challenges the proposed valuation methodologies for all unlisted investments. The FVC's proposals include recommendations from Kroll (formerly known as Duff & Phelps), an external company that provides global financial information and services and detailed input from the Fidelity International analysts covering the unlisted companies. In addition, the Auditor reviewed the valuations of the unlisted investments in the Company's portfolio and reported its findings at the March 2022 Audit Committee meeting.

Independence and Effectiveness of the Audit Process
Ernst & Young LLP acted as the Company's Auditor for the year ended 31 December 2021. Fees paid to the Auditor for the audit of the Company's Financial Statements are disclosed in Note 5 on page 62.

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 2021; 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 first year that the new audit partner, Susan Dawe, has been in place. The Committee will continue to review the Auditor's appointment each year to ensure that the Company continues to receive an optimal level of service. There are no contractual obligations that restrict the Company's choice of auditor.

David Barron
Chairman of the Audit Committee
25 March 2022

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 2021 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet and the related Notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 December 2021 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
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.

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.

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:

- Confirming our understanding of the Company's going concern assessment process by engaging with the Directors and the Company Secretary to determine if all key factors were considered in their assessment.
- Inspecting the Directors' assessment of going concern, including the revenue forecast, for the period to 31 March 2023 which is at least 12 months from the date the Financial Statements were authorised for issue. The Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- Reviewing the factors and assumptions, including the impact of the COVID-19 pandemic, as applied to the revenue forecast. 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.
- Considering the mitigating factors included in the revenue forecasts that are within the control of the Company, including a review of the Company's assessment of the liquidity of the investments held and evaluating the Company's ability to sell investments in order to cover the working capital requirements of the Company.
- Reviewing the Company's going concern disclosures included in the Annual Report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.
- Assessing the impact of the continuation vote at the May 2022 AGM on the going concern basis of preparation by considering the current and historical performance of the Company, reviewing and assessing the Directors' own analysis of the impact the continuation vote may have on going concern.

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 the period to 31 March 2023 which is at least 12 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.

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

Overview of our audit approach

Key audit matters	• Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement. • Risk of incorrect valuation and resultant impact on the unrealised gains/(losses) of the unlisted investments. • Risk of incorrect valuation of the listed investments or ownership of the entire investment portfolio.
Materiality	• Overall materiality of £3.13m which represents 1% of the Company's net asset value as at 31 December 2021.

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.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Company has determined that the impact of climate change could affect the Company's investments and their valuations and potentially shareholder returns. This is explained on page 24 in the principal and emerging risks section, which form part of the "Other information," rather than the audited Financial Statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the Financial Statements as set out in Note 2(a) and conclusion that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing as required. In line with FRS 102 investments are valued at fair value, which for the Company are quoted bid prices for investments in active markets at the balance sheet date. Investments which are unlisted are priced using market-based valuation approaches. All investments therefore reflect the market participants view of climate change risk on the investments held by the Company. We also challenged the Directors' considerations of climate change in their assessment of viability and associated disclosures.

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement *Refer to the Report of the Audit Committee (page 45); Accounting Policies (page 58); and Note 3 of the Financial Statements (page 61).* The Company has reported revenue of £3.48m (2020: £3.29m). During the year, the Company received special dividends amounting to £0.14m (2020: £0.005m), all of which were classified as revenue. There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment. The Directors may be required to exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement.	We have performed the following procedures: We obtained an understanding of the processes and controls surrounding the revenue recognition and classification of special dividends by performing our walkthrough procedures to evaluate the design and implementation of controls. For a sample of dividends and contracts for difference, we recalculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share, which was agreed to an independent data vendor. We agreed amounts to bank statements or broker statements and, where applicable, we agreed the exchange rates to an external source. For all dividends accrued, we agreed dividend entitlement to an independent data vendor and, where applicable, we agreed the amount receivable to post year-end bank statements. To test completeness of recorded income, we verified that expected dividends for a sample of investee companies held during the year had been recorded as income with reference to investee company announcements obtained from an independent data vendor. We performed a review of the income report and acquisition and disposal reports to evaluate all dividends received and accrued during the period that are above our testing threshold. We further identified which of the dividends above our testing threshold were special dividends with reference to an external source. We confirmed seven special dividends, amounting to £0.14m, were received during the year. We have tested two special dividends, amounting to £0.12m, by recalculating the amount received and assessing the appropriateness of classification as revenue or capital by reviewing the underlying circumstances of the special dividends received.	The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement.

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation and resultant impact on the unrealised gains/(losses) of the unlisted investments *Refer to the Report of the Audit Committee (page 46); Accounting Policies (page 59); and Note 16 of the Financial Statements (page 73).* As at 31 December 2021 the Company had six unlisted investments with a value of £17.20m (2020: three unlisted investments with a value of £5.50m). We considered that the degree of subjectivity, including the level of management judgement and the risk that the valuation does not reflect the most up-to-date information, results in a fraud risk over misstatement of the valuation of unlisted securities. The valuation of the unlisted investments is approved by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Manager's Fair Value Committee. The Manager engages Kroll (formerly Duff & Phelps) to perform a valuation which is then considered by the Manager's Fair Value Committee. The unlisted investment policy applies methodologies consistent with the International Private Equity and Venture Capital Valuation guidelines ("IPEV").	We have performed the following procedures: We obtained an understanding of the processes and controls surrounding investment pricing and legal title by performing our walkthrough procedures to evaluate the design and implementation of controls. For all of the unlisted investments held at the year-end, our specialist Valuations and Business Modelling team reviewed and challenged the valuations. This included: • Reviewing the latest valuation papers by Kroll (formerly Duff & Phelps), a third party service provider; • Assessing whether the valuations have been performed in line with the IPEV guidelines; • Assessing the appropriateness of the data inputs and challenging the assumptions used to support the valuations; and • Assessing other facts and circumstances, such as market movement and comparative information, that could have an impact on the fair market value of the investments. We obtained and assessed the valuation papers including the assumptions and judgements in determining the fair value of the unlisted investments held by the Company at the year-end. Agreed the cost of the new unlisted investments to supporting share purchase agreements and traced the payments to bank statement. Agreed 100% of exchange rates to a relevant independent data vendor. We recalculated the unrealised gains/losses on investments as at the year-end using the book-cost reconciliation.	The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation and resultant impact on the unrealised gains/(losses) of the unlisted investments.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation of the listed investments or ownership of the entire investment portfolio *Refer to the Report of the Audit Committee (page 46); Accounting Policies (pages 59 and 60 and Notes 9 and 10 of the Financial Statements (pages 64 and 65).* The valuation of the listed investment portfolio and listed derivatives as at the year-end was £290.83m (2020: £299.35m) comprising £290.54m (2020: £297.51m) of listed investments, and £0.29m of net listed derivatives (2020: £1.84m). 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, or a failure to maintain proper legal title to the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders. The fair value of the listed investments and derivatives is determined using quoted market prices at close of business on the reporting date.	We have performed the following procedures: We obtained an understanding of the processes and controls surrounding investment pricing and legal title by performing our walkthrough procedures. For all listed equity investments in the portfolio, we compared the market prices and exchange rates applied to an independent data vendor and recalculated the investment and derivative valuations as at the year-end. For all derivatives, we compared the market prices of the underlying instrument to an independent pricing vendor and agreed cost price to the Brokers' confirmations. We inspected the stale pricing report produced by the Manager to identify prices that have not changed around the year-end and verified whether the listed price is a valid fair value through review of trading activity. We compared the Company's investment holdings at 31 December 2021 to the independent confirmation received directly from the Company's Custodian and Depositary. We agreed all year-end open derivative positions to confirmations received independently from the Company's brokers.	The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation of the listed investments or ownership of the entire investment portfolio.

Due to the higher level of unlisted investments in the current year, we revised our risk assessment to include the Key Audit Matter 'Incorrect valuation and resultant impact on the unrealised gains/(losses) of the unlisted investments'.

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 £3.13 million (2020: £3.09 million), which is 1% (2020: 1%) of the Company's net asset value. We believe that net asset value provides us with materiality aligned to the key measure of the Company's performance.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2020: 75%) of our planning materiality, namely £2.34m (2020: £2.32m). We have set performance materiality at this percentage due to our 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 £0.16m (2020: £0.15m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Given the importance of the distinction between revenue and capital for investment trusts, we have also applied a separate testing threshold for the revenue column of the Income Statement of £0.16m (2020: £0.15m), being the greater between the reporting threshold and 5% of the net return on ordinary activities before taxation.

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

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

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

We have reviewed 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 by the Listing Rules.

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 32;
- 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 28;
- Director's statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities set out on page 32;
- Directors' statement on fair, balanced and understandable set out on page 43;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 24;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 38; and
- The section describing the work of the Audit Committee set out on page 44.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 43, 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.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006, the Association of Investment Companies Code of Corporate Governance, the Association of Investment Companies Statement of Recommended Practice, the Listing Rules, the UK Corporate Governance Code, Section 1158 of the Corporation Tax Act 2010 and The Companies (Miscellaneous Reporting) Regulations 2018.

- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of Board minutes and 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 revenue recognition through incorrect classification of special dividends as revenue or capital items in the Income Statement and the incorrect valuation and resultant impact on the unrealised gains/(losses) of the unlisted investments. 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 from the Audit Committee, we were appointed by the Company on 24 May 2016 to audit the Financial Statements for the year ending 31 December 2016 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is 6 years, covering the years ending 31 December 2016 to 31 December 2021.

- 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.

SUSAN DAWE
Senior Statutory Auditor
For and on behalf of Ernst & Young LLP
Statutory Auditor
Edinburgh
25 March 2022

Income Statement

for the year ended 31 December 2021

		Year ended 31 December 2021			Year ended 31 December 2020		
	Notes	**Revenue £'000**	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Gains on investments	9	**–**	**847**	**847**	–	38,535	38,535
Gains on derivative instruments	10	**–**	**5,521**	**5,521**	–	22,360	22,360
Income	3	**3,476**	**–**	**3,476**	3,287	–	3,287
Investment management fees	4	**(448)**	**(2,429)**	**(2,877)**	(358)	(1,677)	(2,035)
Other expenses	5	**(620)**	**(13)**	**(633)**	(597)	(8)	(605)
Foreign exchange losses		**–**	**(533)**	**(533)**	–	(475)	(475)
Net return on ordinary activities before finance costs and taxation		**2,408**	**3,393**	**5,801**	2,332	58,735	61,067
Finance costs	6	**(35)**	**(138)**	**(173)**	(26)	(104)	(130)
Net return on ordinary activities before taxation		**2,373**	**3,255**	**5,628**	2,306	58,631	60,937
Taxation on return on ordinary activities	7	**(278)**	**–**	**(278)**	(252)	–	(252)
Net return on ordinary activities after taxation for the year		**2,095**	**3,255**	**5,350**	2,054	58,631	60,685
Return per ordinary share	8	**1.61p**	**2.50p**	**4.11p**	1.56p	44.53p	46.09p

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 57 to 74 form an integral part of these Financial Statements.

Statement of Changes in Equity

for the year ended 31 December 2021

	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 2020		**34,041**	**20,722**	**2,767**	**48,445**	**215,151**	**(12,320)**	**308,806**
Repurchase of ordinary shares	13	**–**	**–**	**–**	**(1,503)**	**–**	**–**	**(1,503)**
Net return on ordinary activities after taxation for the year		**–**	**–**	**–**	**–**	**3,255**	**2,095**	**5,350**
Total shareholders' funds at 31 December 2021		**34,041**	**20,722**	**2,767**	**46,942**	**218,406**	**(10,225)**	**312,653**
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

The Notes on pages 57 to 74 form an integral part of these Financial Statements.

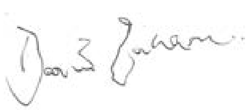
Balance Sheet

as at 31 December 2021

Company number 2885584

	Notes	**2021 £'000**	2020 £'000
Fixed assets			
Investments	9	**307,738**	303,002
Current assets			
Derivative instruments	10	**1,006**	1,932
Debtors	11	**525**	668
Cash collateral held with brokers	16	**–**	21
Cash at bank		**4,741**	4,336
		6,272	6,957
Current liabilities			
Derivative instruments	10	**(717)**	(91)
Bank overdraft		**(11)**	–
Other creditors	12	**(629)**	(1,062)
		(1,357)	(1,153)
Net current assets		**4,915**	5,804
Net assets		**312,653**	308,806
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	**46,942**	48,445
Capital reserve	14	**218,406**	215,151
Revenue reserve	14	**(10,225)**	(12,320)
Total shareholders' funds		**312,653**	308,806
Net asset value per ordinary share	15	**240.73p**	236.53p

The Financial Statements on pages 54 to 74 were approved by the Board of Directors on 25 March 2022 and were signed on its behalf by:



David Graham
Chairman

The Notes on pages 57 to 74 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 April 2021. 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 up to 31 March 2023 which is 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 and their consideration of the upcoming continuation vote at the AGM on 17 May 2022. The Directors recommend that the shareholders vote in favour of the continuation of the Company.

In preparing these Financial Statements the Directors have considered the impact of climate change risk as an emerging risk as set out on page 24, and have concluded that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing. In line with FRS 102 investments are valued at fair value, which for the Company are quoted bid prices for investments in active markets at the balance sheet date. Investments which are unlisted are priced using market-based valuation approaches. All investments therefore reflect the market participants view of climate change risk on the investments held by the Company.

The Company's Going Concern Statement in the Directors' Report on page 32 takes account of all events and conditions up to 31 March 2023 which is at least twelve months from the date of approval of these Financial Statements.

b) Significant Accounting estimates, assumptions and judgements

The preparation of the Financial Statements requires the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets and liabilities at the reporting date. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from theses estimates.

The key sources of estimation and uncertainty relate to the fair value of the unlisted investments.

Judgements

The Directors consider whether each fair value is appropriate following detailed review and challenge of the pricing methodology. The judgement applied in the selection of the methodology used (see Note 2 (j) below) for determining the fair value of each unlisted investment can have a significant impact upon the valuation.

Estimates

The key estimate in the Financial Statements is the determination of the fair value of the unlisted investments by the Manager's Fair Value Committee ("FVC") for consideration by the Directors. This estimate is key as it significantly impacts the valuation of the unlisted investments at the Balance Sheet date. When no recent primary or secondary transaction in the company's shares have taken place, the fair valuation process involves estimation using subjective inputs that are unobservable (for which market data is unavailable). The estimates involved in the valuation process include the following:

(i) the selection of appropriate comparable companies. Comparable companies are chosen on the basis of their business characteristics and growth patterns;

(ii) the selection of a revenue metric;

(iii) the selection of an appropriate illiquidity discount factor to reflect the reduced liquidity of unlisted companies versus their listed peers;

(iv) the estimation of the likelihood of a future exit of the position through an initial public offering ("IPO") or a company sale;

(v) the selection of an appropriate industry benchmark index to assist with the valuation; and

Notes to the Financial Statements continued

2 Accounting Policies continued

(vi) the calculation of valuation adjustments derived from milestone analysis (i.e. incorporating operational success against the plans/forecasts of the business into the valuation).

As the valuation outcomes may differ from the fair value estimates a price sensitivity analysis is provided in Other Price Risk Sensitivity in Note 16 below to illustrate the effect on the Financial Statements of an over or under estimation of fair value.

The risk of an over or under estimation of fair value is greater when methodologies are applied using more subjective inputs.

Assumptions

The determination of fair value by the FVC involves key assumptions dependent upon the valuation techniques used. The valuation process recognises that the price of a recent investment may be an appropriate starting point for estimating fair value. The Multiples approach involves subjective inputs and therefore presents a greater risk of over or under estimation, particularly in the absence of a recent transaction.

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:

- 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;
- 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.

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 comprises interest on collateral and bank overdrafts and finance costs paid on long CFDs, which are accounted for on an accruals basis. Finance costs are allocated 20% to revenue and 80% to capital to reflect the Company's focus on capital growth to generate returns.

2 Accounting Policies continued

i) Taxation

The taxation charge represents the sum of current taxation and deferred taxation.

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

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

j) Investments

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

- Listed investments are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed; and
- Investments which are not quoted, or are not frequently traded, are stated at the best estimate of fair value. The Manager's Fair Value Committee ("FVC"), which is independent of the Portfolio Manager's team, provides a recommendation of fair values to the Directors. These are based on the principles outlines in Note 2 (b) above.

The techniques applied by the FVC when valuing the unlisted investments are predominantly market-based approaches. The market-based approaches are set out below and are followed by an explanation of how they are applied to the Company's unlisted portfolio:

- Multiples;
- Industry Valuation Benchmarks; and
- Available Market Prices.

The nature of the unlisted investment will influence the valuation technique applied. The valuation approach recognises that the price of a recent investment, if resulting from an orderly transaction, generally represents fair value as at the transaction date and may be an appropriate starting point for estimating fair value at subsequent measurement dates. However, consideration is given to the facts and circumstances as at the subsequent measurement date, including changes in the market or performance of the investee company. Milestone analysis is used where appropriate to incorporate the operational progress of the investee company into the valuation. Consideration is also given to the input received from the Fidelity analyst that covers the company and an external valuer. Additionally, the background to the transaction must be considered. As a result, various multiples-based techniques are employed to assess the valuations particularly in those companies with established revenues. An absence of relevant industry peers may preclude the application of the Industry Valuation Benchmarks technique and an absence of observable prices may preclude the Available Market Prices approach.

The unlisted investments are valued according to a three month cycle of measurement dates. The fair value of the unlisted investments will be reviewed before the next scheduled three monthly measurement date where there is an indication of a change in fair value (commonly referred to as 'trigger' events).

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.

Notes to the Financial Statements continued

2 Accounting Policies continued

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.

See Note 10 on page 65 for details of the Company's exposure to derivative instruments.

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;
- 80% of base investment management fees and finance costs;
- Variable investment management fees; and
- Other expenses which are capital in nature.

Technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/17BL, guidance on 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 £1,110,000 (2020: unrealised investment holding losses of £54,000). See Note 16 on pages 67 to 73 for further details on the level 3 investments.

3 Income

	Year ended 31.12.21 £'000	Year ended 31.12.20 £'000
Investment income		
Overseas dividends	**2,793**	2,523
Derivative income		
Dividends received on long CFDs	**683**	764
Total income	**3,476**	3,287

No special dividends have been recognised in capital during the reporting year (2020: nil)

4 Investment Management Fees

	Year ended 31 December 2021			Year ended 31 December 2020		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fees – base	**448**	**1,790**	**2,238**	358	1,429	1,787
Investment management fees – variable[1]	**–**	**639**	**639**	–	248	248
	448	**2,429**	**2,877**	358	1,677	2,035

1 For the calculation of the variable management fee element, the Company's NAV return was compared to the Reference Index return on a daily basis. The period used to assess the performance was from 1 July 2018 until a three year history was established. From 1 July 2021 the performance period is now on a rolling three year basis.

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.

Investment management fees have been allocated 80% to capital reserve in accordance with the Company's accounting policies.

Further details of the terms of the Management Agreement are given in the Directors' Report on page 32.

Notes to the Financial Statements continued

5 Other Expenses

	Year ended 31.12.21 £'000	Year ended 31.12.20 £'000
Allocated to revenue:		
AIC fees	**15**	15
Secretarial and administration fees payable to the Investment Manager	**50**	50
Custody fees	**32**	23
Depositary fees	**29**	25
Directors' expenses	**25**	30
Directors' fees[1]	**129**	160
Legal and professional fees	**81**	67
Marketing expenses	**130**	97
Printing and publication expenses	**66**	55
Registrars' fees	**21**	25
Other expenses	**13**	16
Fees payable to the Company's Independent Auditor for the audit of the Financial Statements	**29**	34
	620	597
Allocated to capital:		
Legal and professional fees – unlisted investments	**13**	8
Other expenses	**633**	605

1 Details of the breakdown of Directors' fees are provided in the Directors' Remuneration Report on page 41.

6 Finance Costs

	Year ended 31 December 2021			Year ended 31 December 2020		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Interest paid on long CFDs	**31**	**124**	**155**	20	79	99
Interest paid on collateral and bank overdrafts	**4**	**14**	**18**	6	25	31
	35	**138**	**173**	26	104	130

Finance costs have been allocated 80% to capital reserve in accordance with the Company's accounting policies.

7 Taxation on Return on Ordinary Activities

	Year ended 31.12.21 £'000	Year ended 31.12.20 £'000
a) Analysis of the taxation charge for the year		
Overseas taxation	**278**	252
Taxation charge for the year (see Note 7b)	**278**	252

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% (2020: 19.00%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	Year ended 31.12.21 £'000	Year ended 31.12.20 £'000
Net return on ordinary activities before taxation	**5,628**	60,937
Net return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19.00% (2020: 19.00%)	**1,069**	11,578
Effects of:		
Capital gains not taxable[1]	**(1,109)**	(11,480)
Income not taxable	**(531)**	(479)
Expenses not deductible	**24**	19
Excess management expenses not utilised	**547**	362
Overseas taxation	**278**	252
Taxation charge for the year (see Note 7a)	**278**	252

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 £8,106,000 (2020: £5,613,000), in respect of excess expenses of £32,422,000 (2020: £29,543,000) has not been recognised as it is unlikely that there will be sufficient future profits to utilise these expenses.

In the Spring Budget of 2021, the UK Government announced that from 1 April 2023 the corporation tax rate will increase to 25.00%. This rate has been substantively enacted at the balance sheet date and has therefore been applied to calculate the unrecognised deferred tax asset for the current year (2020: 19.00%).

Notes to the Financial Statements continued

8 Return per Ordinary Share

	Year ended 31.12.21	Year ended 31.12.20
Revenue return per ordinary share	**1.61p**	1.56p
Capital return per ordinary share	**2.50p**	44.53p
Total return per ordinary share	**4.11p**	46.09p

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	**2,095**	2,054
Net capital return on ordinary activities after taxation	**3,255**	58,631
Net total return on ordinary activities after taxation	**5,350**	60,685
	Number	Number
Weighted average number of ordinary shares held outside Treasury	**130,097,688**	131,658,973

9 Investments

	2021 £'000	2020 £'000
Listed investments	**290,537**	297,505
Unlisted investments	**17,201**	5,497
Investments at fair value	**307,738**	303,002
Opening book cost	**226,195**	192,261
Opening investment holding gains	**76,807**	56,838
Opening fair value	**303,002**	249,099
Movements in the year		
Purchases at cost	**234,121**	171,488
Sales – proceeds	**(230,232)**	(156,120)
Gains on investments	**847**	38,535
Closing fair value	**307,738**	303,002
Closing book cost	**265,540**	226,195
Closing investment holding gains	**42,198**	76,807
Closing fair value	**307,738**	303,002

The Company received £230,232,000 (2020: £156,120,000) from investments sold in the year. The book cost of these investments when they were purchased was £194,776,000 (2020: £137,554,000). 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.

9 Investments continued

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 31.12.21 £'000	Year ended 31.12.20 £'000
Purchases transaction costs	**85**	72
Sales transaction costs	**86**	60
	171	132

The portfolio turnover for the year was 74.6% (2020: 66.9%). 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 31.12.21 £'000	Year ended 31.12.20 £'000
Gains on derivative instruments		
Gains on long CFD positions closed	**7,073**	22,492
Movement in investment holding losses on long CFDs	**(1,552)**	(132)
	5,521	22,360

Derivative instruments recognised on the Balance Sheet

	2021		2020	
	Fair value £'000	**Portfolio exposure £'000**	Fair value £'000	Portfolio exposure £'000
Derivative instrument assets – long CFDs	**1,006**	**43,165**	1,932	71,273
Derivative instrument liabilities – long CFDs	**(717)**	**29,456**	(91)	7,013
	289	**72,621**	1,841	78,286

11 Debtors

	2021 £'000	2020 £'000
Securities sold for future settlement	**238**	404
Accrued income	**199**	166
Other debtors and prepayments	**88**	98
	525	668

12 Other Creditors

	2021 £'000	2020 £'000
Securities purchased for future settlement	**201**	689
Creditors and accruals	**428**	373
	629	1,062

Notes to the Financial Statements continued

13 Share Capital

	2021 Number of shares	2021 £'000	2020 Number of shares	2020 £'000
Issued, allotted and fully paid				
Ordinary shares of 25 pence each held outside Treasury				
Beginning of the year	**130,554,926**	**32,639**	133,207,090	33,302
Ordinary shares repurchased into Treasury	**(678,032)**	**(170)**	(2,652,164)	(663)
End of the year	**129,876,894**	**32,469**	130,554,926	32,639
Issued, allotted and fully paid				
Ordinary shares of 25 pence each held in Treasury*				
Beginning of the year	**5,606,769**	**1,402**	2,954,605	739
Ordinary shares repurchased into Treasury	**678,032**	**170**	2,652,164	663
End of the year	**6,284,801**	**1,572**	5,606,769	1,402
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 678,032 ordinary shares (2020: 2,652,164 shares) and held them in Treasury. The cost of repurchasing these shares was £1,503,000 (2020: £4,370,000). This amount 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 2021	**34,041**	**20,722**	**2,767**	**48,445**	**215,151**	**(12,320)**	**308,806**
Gains on investments (see Note 9)	–	–	–	–	**847**	–	**847**
Gains on derivative instruments (see Note 10)	–	–	–	–	**5,521**	–	**5,521**
Foreign exchange losses	–	–	–	–	**(533)**	–	**(533)**
Investment management fees (see Note 4)	–	–	–	–	**(2,429)**	–	**(2,429)**
Other expenses (see Note 5)	–	–	–	–	**(13)**	–	**(13)**
Finance costs (see Note 6)	–	–	–	–	**(138)**	–	**(138)**
Revenue return on ordinary activities after taxation for the year	–	–	–	–	–	**2,095**	**2,095**
Repurchase of ordinary shares (see Note 13)	–	–	–	**(1,503)**	–	–	**(1,503)**
At 31 December 2021	**34,041**	**20,722**	**2,767**	**46,942**	**218,406**	**(10,225)**	**312,653**

The capital reserve balance at 31 December 2021 includes investment holding gains of £42,198,000 (2020: gains of £76,807,000) 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

	2021	2020
Total shareholders' funds	**£312,653,000**	£308,806,000
Ordinary shares held outside of Treasury at year end	**129,876,894**	130,554,926
Net asset value per ordinary share	**240.73p**	236.53p

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 geopolitical and natural disaster, performance and gearing, discount control and demand, key person, market, economic and currency, cybercrime, environmental, social and governance ("ESG") and operational resilience. Other risks identified are tax and regulatory. 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 24 to 28.

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:

	2021 £'000	2020 £'000
Exposure to financial instruments that bear interest		
Long CFDs – Portfolio exposure less fair value	**72,332**	76,445
Bank overdraft	**11**	–
	72,343	76,445
Exposure to financial instruments that earn interest		
Cash collateral held with brokers	**–**	21
Cash at bank	**4,741**	4,336
	4,741	4,357
Net exposure to financial instruments that bear interest	**67,602**	72,088

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.

16 Financial Instruments continued

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 £'000	Cash at bank £'000	2021 Total £'000
Japanese yen	**307,738**	**72,621**	**437**	**4,741**	**385,537**
UK sterling	**–**	**–**	**88**	**–**	**88**
	307,738	**72,621**	**525**	**4,741**	**385,625**

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
UK sterling	-	-	98	–	98
	303,002	78,286	689	4,336	386,313

1 Debtors include cash collateral held with brokers.

Currency exposure of financial liabilities

The currency profile of these financial liabilities is shown below:

Currency	Other creditors £'000	Bank overdraft £'000	2021 Total £'000
Japanese yen	**203**	**–**	**203**
UK sterling	**426**	**11**	**437**
	629	**11**	**640**

Currency	Other creditors £'000	2020 Total £'000
Japanese yen	689	689
UK sterling	373	373
	1,062	1,062

Notes to the Financial Statements continued

16 Financial Instruments continued

Other price risk

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

Liquidity risk

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

Liquidity risk exposure

At 31 December 2021, the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £717,000 (2020: £91,000), bank overdraft of £11,000 (2020: £nil) and other creditors of £629,000 (2020: £1,062,000).

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 2021, £370,000 (2020: £1,082,000) 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. At 31 December 2021, £nil (2020: £21,000), 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. At 31 December 2020, the collateral comprised of: J.P. Morgan Securities plc £21,000 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 and long CFD contracts and cash at bank.

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.

16 Financial Instruments continued

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at 31 December 2021, an increase of 0.25% in interest rates throughout the year, 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 net assets of the Company by £169,000 (2020: decreased the Company's net return and decreased the net assets by £180,000). 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 2021, 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 net assets of the Company by £35,030,000 (2020: decreased the Company's net return and decreased the net assets by £35,047,000). 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 net assets of the Company by £42,814,000 (2020: increased the Company's net return and increased the net assets by £42,836,000).

Other price risk – exposure to investments sensitivity analysis

Based on the listed investments held and share prices at 31 December 2021, 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 £29,054,000 (2020: increased the Company's net return and increased the net assets by £29,750,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Based on the unlisted investments held and share prices at 31 December 2021, 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 £1,720,000 (2020: increased the Company's net return and increased the net assets by £550,000). 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 2021, 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 £7,262,000 (2020: increased the Company's net return and increased the net assets by £7,829,000). 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 at bank, book value approximates to fair value due to the short maturity of the instruments.

Notes to the Financial Statements continued

16 Financial Instruments continued

Fair Value Hierarchy

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

Classification	Input
Level 1	Valued using quoted prices in active markets for identical assets
Level 2	Valued by reference to 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	2021 Total £'000
Investments	**290,537**	**–**	**17,201**	**307,738**
Derivative instrument assets	**–**	**1,006**	**–**	**1,006**
	290,537	**1,006**	**17,201**	**308,744**
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	**–**	**(717)**	**–**	**(717)**

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)

16 Financial Instruments continued

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

	Year ended 31.12.21 Level 3 £'000	Year ended 31.12.20 Level 3 £'000
Beginning of the year	**5,497**	3,676
Purchases at cost	**15,703**	1,695
Transferred out of level 3 – Coconala*	**(2,943)**	–
Movement in investment holding (losses)/gains (including foreign exchange movement)	**(1,056)**	126
End of the year	**17,201**	5,497

* Financial instruments are transferred out of level 3 when they become listed.

Asoview

Asoview is an online booking website for leisure facilities. The valuation at 31 December 2021 is based on the cost of the investment when it was purchased in December 2021. As at 31 December 2021, its fair value was £6,415,000.

Moneytree

Moneytree develops personal asset management applications and provides household account book applications and expense payment applications in Japan. During the year, the Company increased its shareholding by subscribing to a further round of fundraising. The valuation at 31 December 2021 is based on analysis of the company's financial reports, the macro-environment and benchmarking the position to a range of comparable market data. As at 31 December 2021, its fair value was £2,641,000 (2020: £1,595,000).

iYell

iYell is a Japanese mortgage Fintech company. The valuation at 31 December 2021 is based on the cost of the investment when it was purchased in December 2021. As at 31 December 2021, its fair value was £2,566,000.

Yoriso

Yoriso is a leading online funeral planning platform in Japan. The valuation at 31 December 2021 is based on analysis of the company's financial reports, the macro-environment and benchmarking the position to a range of comparable market data. As at 31 December 2021, its fair value was £2,557,000.

Spiber

Spiber is a bio-tech company which produces synthetic spider silk fibres from protein. The valuation at 31 December 2021 is based on the cost of the investment when it was purchased in September 2021 with consideration as to whether there have been any significant developments impacting the performance and future prospects of the company. As at 31 December 2021, its fair value was £2,436,000.

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 2021 is based on analysis of the company's financial reports, the macro-environment, benchmarking the position to a range of comparable market data and consideration given to the continuing impact of COVID-19. As at 31 December 2021, its fair value was £586,000 (2020: £738,000).

Notes to the Financial Statements continued

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 56, 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 23. The principal risks and their management are disclosed in the Strategic Report on pages 24 to 28 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 32 and in Note 4 above. During the year, fees for portfolio management services of £2,877,000 (2020: £2,035,000) and secretarial and administration fees of £50,000 (2020: £50,000) were payable to FII. At the Balance Sheet date, fees for portfolio management services of £245,000 (2020: £232,000) and secretarial and administration fees of £25,000 (2020: £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 £130,000 (2020: £97,000). At the Balance Sheet date, marketing services of £4,000 (2020: £6,000) 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 41 and 42. In addition to the fees and taxable expenses disclosed in the Directors' Remuneration Report, £12,000 (2020: £15,000) of Employers' National Insurance Contributions was also paid by the Company. As at 31 December 2021, Directors' fees of £10,000 (2020: £14,000) were accrued and payable.

Alternative Performance Measures

Discount/Premium
The discount/premium is considered to be an Alternative Performance Measure. It is the difference between the NAV of the Company and the ordinary share price and is expressed as a percentage of the NAV. Details of the Company's discount/premium are on the Financial Highlights and both are defined in the Glossary of Terms on pages 85 and 86.

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

The tables below provide information relating to the NAVs and share prices of the Company and the total returns for the years ended 31 December 2021 and 31 December 2020.

2021	**Net asset value per ordinary share**	**Ordinary share price**
31 December 2020	**236.53p**	**220.50p**
31 December 2021	**240.73p**	**229.00p**
Total return for the year	**+1.8%**	**+3.9%**

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%

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.

	2021	2020
Investment management fees (£'000)	**2,238**	1,787
Other expenses (£'000)	**633**	605
Ongoing charges (£'000)	**2,871**	2,392
Variable management fee (£'000)	**639**	248
Average net assets (£'000)	**319,755**	255,394
Ongoing charges ratio	**0.90%**	0.94%
Ongoing charges ratio including variable management fee	**1.10%**	1.04%

Gearing
Gearing is considered to be an Alternative Performance Measure. See the Fair Value and Portfolio Exposure of Investments table on page 19 for details of the Company's gearing.

Revenue, Capital and Total Returns
Revenue, capital and total returns are considered to be Alternative Performance Measures. See the Income Statement on page 54 and Note 8 on page 64 for further details.

Financial Calendar

The key dates in the Company's calendar are:

31 December 2021	Financial Year End
March 2022	Announcement of the annual results for the year ended 31 December 2021
April 2022	Publication of the Annual Report
17 May 2022	Annual General Meeting
30 June 2022	Half-Year End
July/August 2022	Announcement of the Half-Yearly results for the six months to 30 June 2022
August 2022	Publication of the Half-Yearly Report

ANNUAL GENERAL MEETING – TUESDAY, 17 MAY 2022 AT 2PM

The AGM of the Company will be held at **2.00pm** on **Tuesday, 17 May 2022** at Fidelity's offices at 4 Cannon Street, London EC4M 5AB (nearest tube stations are St. Paul's or Mansion House) and virtually via the online Lumi AGM meeting platform. Full details of the meeting are given in the Notice of Meeting on pages 77 to 81.

Appropriate social distancing and hygiene measures will be in place for those shareholders attending the AGM in person. For those shareholders who would prefer not to attend in person or for whom travel is not convenient, we will live-stream the formal business and presentations of the meeting online.

Nicholas Price, the Portfolio Manager, will be making a presentation to shareholders highlighting the achievements and challenges of the year past and the prospects for the year to come. Nicholas and the Board will be very happy to answer any questions that shareholders may have. 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.

Properly registered shareholders joining the AGM virtually will be able to vote on the proposed resolutions. Please see Note 8 to the Notes to the Notice of Meeting on page 79 for details on how to vote virtually. Investors viewing the AGM online will be able to submit live written questions to the Board and the Portfolio Manager and these will be addressed on their behalf at an appropriate juncture during the meeting.

Further information and links to the Lumi platform may be found on the Company's website **www.fidelity.co.uk/japan**. On the day of the AGM, in order to join electronically and ask questions via the Lumi platform, shareholders will need to connect to the website **https://web.lumiagm.com**.

Please note that investors on platforms such as Fidelity Personal Investing, Hargreaves Lansdown, Interactive Investor or AJ Bell Youinvest will need to request attendance at the AGM in accordance with the policies of your chosen platform. They may request that you submit electronic votes in advance of the meeting. If you are unable to obtain a unique IVC and PIN from your nominee or platform, we will also welcome online participation as a guest. Once you have accessed **https://web.lumiagm.com** from your web browser on a tablet or computer, you will need to enter the **Lumi Meeting ID** which is **172-394-186**. You should then select the 'Guest Access' option before entering your name and who you are representing, if applicable. This will allow you to view the meeting and ask questions but you will not be able to vote.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity Japan Trust PLC will be held at at 4 Cannon Street, London EC4M 5AB and virtually via the Lumi AGM meeting platform on Tuesday, 17 May 2022 at 2.00 pm for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2021.
2. To re-elect Mr David Graham as a Director.
3. To re-elect Mr David Barron 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 40) for the year ended 31 December 2021.
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 Resolutions 9, 12 and 13 will be proposed as ordinary resolutions and Resolutions 10 and 11 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 25 March 2022. 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 25 March 2022) 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 25 March 2022); 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 25 March 2022, 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.

Notice of Meeting continued

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) 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 19,468,546;

    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.

Changes to the Investment Policy

Resolution 12 is an ordinary resolution which, if approved, will amend the Company's Investment Policy. The full text of both the Investment Policy and the changes in black-line are included the Appendix to this Notice of Meeting on page 81.

12. THAT the changes to the Investment Policy, as set out in the Appendix to this Notice of Meeting on page 81 and, for the purposes of identification, a copy of which will be initialled by the Chairman, be and are hereby approved and adopted with immediate effect.

Continuation of the Company

Resolution 13 is an ordinary resolution in respect of the continuation of the Company.

13. THAT the Company continues to carry out business as an investment trust.

By Order of the Board
FIL Investments International
Secretary
25 March 2022

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 Form of Proxy.

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 14:00 on Friday, 13 May 2022. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person or virtually 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, 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 (excluding non-business days) 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 14:00 on Friday, 13 May 2022. 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 14:00 on Friday, 13 May 2022.

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 14:00 on Friday, 13 May 2022 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, 13 May 2022. Shareholders are urged to vote using the Form of Proxy provided or electronically where permitted by your nominee or platform.

8. The Company is pleased to be able to offer facilities for shareholders to attend, ask questions and vote at the AGM electronically in real time should they wish to do so. The details are set out below.

   In order to join the AGM electronically and ask questions via the platform, shareholders will need to connect to the following site **https://web.lumiagm.com**. Lumi is available as a mobile web client, compatible with the latest browser versions of Chrome, Firefox, Edge and Safari and can be accessed using any web browser, on a PC or smartphone device

   Once you have accessed **https://web.lumiagm.com** from your web browser on a tablet or computer, you will be asked to enter the **Lumi Meeting ID** which is **172-394-186**. You will then be prompted to enter your unique 11 digit Investor Code ("IVC") including any leading zeros and 'PIN'. Your PIN is the last 4 digits of your IVC. This will authenticate you as a shareholder.

   Your IVC can be found on your share certificate or as detailed on your proxy form. Signal Shares users (**www.signalshares.com**) will find this under 'Manage your account' when logged in to the Signal Shares portal. You can also obtain this by contacting Link, our Registrar, by calling +44 (0) 371 277 1020*

   Access to the AGM will be available from **30 minutes before the meeting start time**, although the voting functionality will not be enabled until the Chairman of the meeting declares the poll open. During the AGM, you must ensure you are connected to the internet at all times in order to vote when the Chairman commences polling on the Resolutions. Therefore, it is your responsibility to ensure connectivity for the duration of the AGM via your wi-fi. A user guide to the Lumi platform is available on the Company's pages of the Manager's website at: **www.fidelity.co.uk/japan**.

   If you wish to appoint a proxy other than the Chairman of the meeting and for them to attend the virtual meeting on your behalf, please submit your proxy appointment in the usual way before contacting Link Group on +44 (0) 371 277 1020* in order to obtain their IVC and PIN. It is suggested that you do this as soon as possible and at least 48 hours (excluding non-business days) before the meeting.

   If your shares are held within a nominee/platform and you wish to attend the electronic meeting, you will need to contact your nominee as soon as possible. Your nominee will need to present a corporate letter of representation to Link Group, the Registrar, as soon as possible and at least 72 hours (excluding non-business days) before the meeting, in order that they can obtain for you your unique IVC and PIN to enable you to attend the electronic meeting.

   If you are unable to obtain a unique IVC and PIN from your nominee or platform, we will also welcome online participation as a guest. Once you have accessed **https://web.lumiagm.com** from your web browser on a tablet or computer, you will need to enter the **Lumi Meeting ID** which is **172-394-186**. You should then select the 'Guest Access' option before entering your name and who you are representing, if applicable. This will allow you to view the meeting and ask questions but you will not be able to vote.

   * Lines are open from 9.00 am to 5.30 pm Monday to Friday, excluding public holidays in England and Wales. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate.

9. 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.

10. 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

Notice of Meeting continued

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.

11. 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, 13 May 2022. 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.

12. As at 25 March 2022 (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 6,284,801. Therefore, the total number of shares with voting rights in the Company was 129,876,894.

13. 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.

14. 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.

15. 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.

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

17. 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/japan.

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

APPENDIX

Proposed change to the Investment Policy

The proposed changes to the Investment Policy as proposed in resolution 12 on page 78 of this Annual Report are set out below. The changes are marked in black-line below.

Objective

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

Investment policy

The Company **~~will~~** primarily invest**s** 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 an attempt to diversify risk.

In order to diversify the Company's portfolio, the Board has set the following investment guidelines for the Portfolio Manager:

- 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. This is further limited to 12% of the Company's equity portfolio based on the latest market value.

- A maximum of ~~10%~~ **20%** 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 **only** make any such investment ~~except~~ where the Manager expects ~~that~~ the securities ~~would shortly~~ **to** become registered for trading on the OTC market or become listed on a Japanese stockmarket **in the foreseeable future**.

- A maximum of 30% of its assets (at the time of acquisition) in equity-related and debt instruments other than shares. 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 amounts required as collateral to cover unrealised losses on derivatives. In practice the cash position will normally be much lower.

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

The aggregate exposure of the Company to Japanese equities, whether held directly or through CFDs, will not exceed shareholders' funds by more than 30% at the time any CFD is 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. **~~and~~** **C**urrently the Portfolio Manager has discretion to be up to 25% geared.

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

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).

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**

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
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(London Branch)
125 London Wall
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EC2Y 5AJ

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

Financial Adviser and Stockbroker
Stifel 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 2021/2022 (2020/2021: £12,300) before being liable for capital gains tax. Capital gains tax is charged at 10% and 20% dependent on the total amount of taxable income.

Data Protection

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/security-privacy/**

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.

Retention period

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 collateral. 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 for the Company.

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 ordinary 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).

Fidelity
Fidelity International as well as other companies within the Fidelity Group.

Gearing
Gearing is the Total Portfolio Exposure in excess of Shareholders' Funds. 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.

Glossary of Terms continued

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

Independent Valuer
Kroll (formerly Duff & Phelps) who provide an objective and independent assessment of value of unlisted and hard to price assets.

Manager
FIL Investment Services (UK) Limited is the appointed Manager under 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 ordinary share basis.

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

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.

Portfolio Exposure
The value of an underlying security or instrument to which the Company is exposed, whether through direct or indirect investment (including the economic value of the exposure in the underlying asset of derivatives).

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 ordinary 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). The Reference Index is the Company's Benchmark Index.

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 ordinary share. This process is also used to enhance the net asset value per ordinary share and to reduce the discount to net asset value per ordinary 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 ordinary 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 ordinary 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 32.

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 23 and 24.
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 24 to 28 and in Note 16 to the Financial Statements on pages 67 to 73.
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 2021, leverage for both the Gross Method and the Commitment Method was 1.23.
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 70.
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**

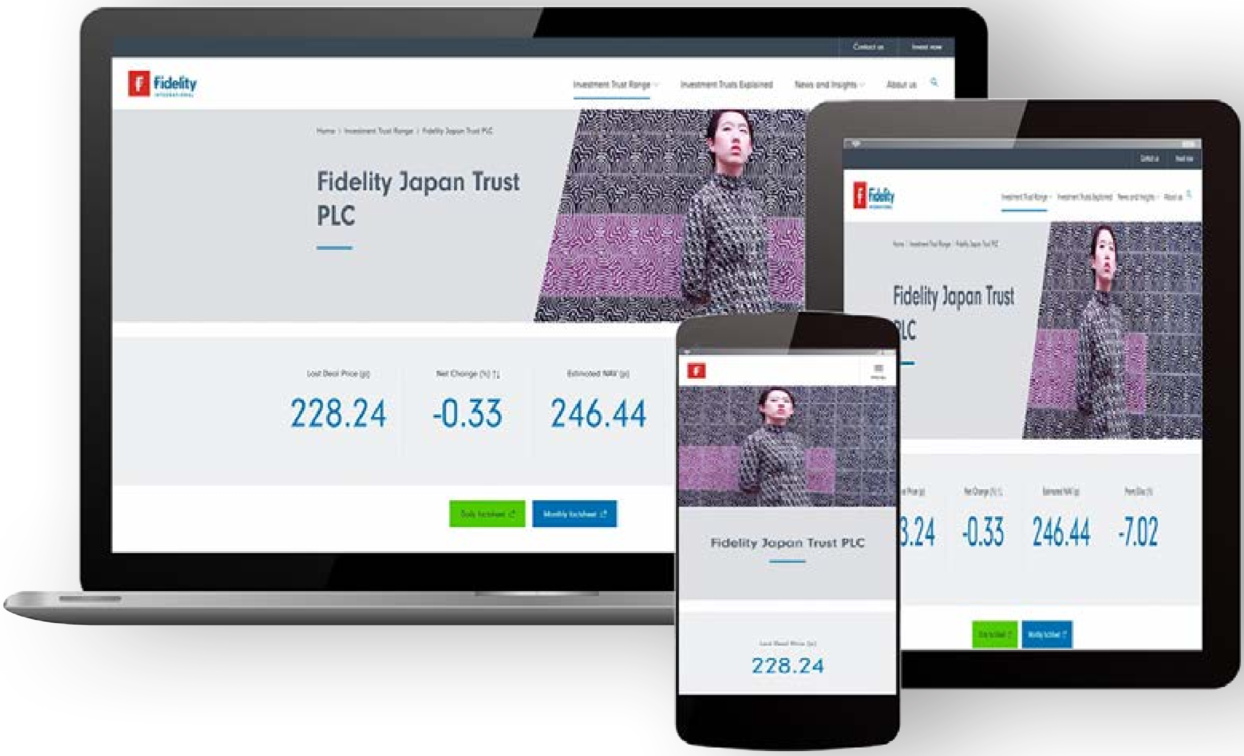
EU Securities Financing Transactions Regulation ("SFTR")

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 2021, 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
UBS AG (UK)	289	0.09%	370	–

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 2021 from CFDs was a gain of £6,049,000.



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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