Fidelity Japanese Values PLC

Annual Report

For the year ended 31 December 2014

Fidelity
WORLDWIDE INVESTMENT

Contents

Investment Objective and Performance

The investment objective of the Company is to achieve long term capital growth from an actively managed portfolio of securities primarily of small and medium sized Japanese companies listed or traded on Japanese stockmarkets.

Detail of the Company's investment policy is on pages 11 and 12

Performance (year ended 31 December 2014)

Net Asset Value ("NAV") per Ordinary Share Total Return	+3.1%
Ordinary Share Price Total Return	0.0%
Russell Nomura Mid/Small Cap Index Total Return* (in sterling terms)	+5.1%

As at 31 December 2014

Equity Shareholders' Funds	£92.9m
Market Capitalisation	£83.0m
Capital Structure:	
Ordinary shares of 25 pence each	114,002,375
Subscription shares of 0.001 pence each	22,743,320

Standardised Performance – Total Return (%)

	01/01/2014 to 31/12/2014	01/01/2013 to 31/12/2013	01/01/2012 to 31/12/2012	01/01/2011 to 31/12/2011	01/01/2010 to 31/12/2010
NAV per ordinary share – undiluted	+3.1	+31.8	-6.6	-6.2	+23.2
Ordinary share price	0.0	+39.5	-1.7	-8.3	+18.0
Russell Nomura Mid/Small Cap Index* (in sterling terms)	+5.1	+21.7	-3.1	-9.3	+18.6

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

* The Company's Reference Index

Financial Summary

	2014	2013
Assets at 31 December		
Total portfolio exposure[1]	£113.5m	£105.1m
Shareholders' funds	£92.9m	£90.0m
Total portfolio exposure in excess of shareholders' funds (Gearing)	22.2%	16.8%
NAV per ordinary share	81.48p	79.02p
Stockmarket data at 31 December		
Russell Nomura Mid/Small Cap Index (in sterling terms)	2.2654	2.1562
Yen/£ exchange rate	186.946	174.080
Ordinary share price at the year end	72.00p	72.00p
year high	75.75p	80.38p
year low	64.75p	50.50p
Discount – undiluted at the year end	11.6%	8.9%
year high	2.8%	19.9%
year low	17.8%	4.7%
Subscription share price at the year end	4.25p	n/a
year high	4.25p	n/a
year low	3.75p	n/a
Returns for the year to 31 December		
NAV per ordinary share – total return	+3.1%	+31.8%
Ordinary share price – total return	0.0%	+39.5%
Russell Nomura Mid/Small Cap Index (in sterling terms)	+5.1%	+21.7%
Results for the year to 31 December – see page 42		
Revenue loss per ordinary share	(0.45p)	(0.30p)
Capital return per ordinary share	2.91p	20.64p
Total return per ordinary share	2.46p	20.34p
Ongoing charges for the year to 31 December[2]	1.62%	1.80%

1 The total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs

2 Ongoing charges (excluding finance costs and taxation) as a percentage of average net asset values for the reporting year (prepared in accordance with methodology recommended by the Association of Investment Companies)

Chairman's Statement

David Robins
Chairman

I have pleasure in presenting the Annual Report of Fidelity Japanese Values PLC for the year ended 31 December 2014.

PERFORMANCE REVIEW

Although the Japanese equity market suffered a setback immediately after the increase in the consumption tax in the spring and again in the autumn when the second quarter GNP figures were released, over the balance of the year the broad TOPIX index rose by 8.1%, whilst the Russell Nomura Mid/Small Cap Index was up by 12.8%, both in local currency terms. However, the depreciation of the yen over the same period, when it fell by 6.9% against sterling, meant that the broader market was up by only 0.7% and the Company's Reference Index by 5.1% in sterling terms.

Thus, it is disappointing to have to report that the Company's NAV rose by only 3.1% over the year, with the negative impact of the currency and stock selection more than offsetting the positive effects of gearing. This performance did compare favourably with that of our peer group, however, which on average managed an improvement in NAV of only 0.5%.

Despite this performance against our peers, the discount to NAV widened from 8.9% to 11.6% over the course of the year, leading to your Company's share price remaining flat. I am pleased to be able to report that it has picked up significantly since then.

Performance for the year to 31 December 2014

Prices rebased to 100

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

RESULTS AND DIVIDENDS

The revenue column of the Income Statement on page 42 shows a net loss on ordinary activities after taxation of £509,000 (2013: £331,000). As the revenue reserve was in deficit at 31 December 2014, the Directors do not recommend the payment of a dividend.

GEARING

The Company is permitted to gear through the use of long Contracts for Difference ("CFDs"). During the course of the year, the Portfolio Manager and Board became more optimistic on the outlook for the Japanese market, and as a result, total portfolio exposure by the end of the year was £113.5m, equating to gearing of 22.2% compared with 16.8% at the end of 2013. This is within the limits set by the Board. Further information can be found at page 11 of the Strategic Report.

The Board continues to believe that utilising long CFDs remains the most flexible way to gear the Company, costing just £77,000 and is less than traditional debt finance, as the interest rate paid has been a low 0.4% per annum.

THE BOARD

As I noted in last year's Annual Report, the Board recognises that refreshing its membership from time to time can be beneficial. As a result, I am pleased to be able to announce that two new Directors were appointed to the Board on 17 November 2014, namely Mami Mizutori and Dominic Ziegler. Full biographical details on Ms Mizutori and Mr Ziegler can be found on page 22 of this Annual Report. The elections of Ms Mizutori and Mr Ziegler will be proposed at the Annual General Meeting ("AGM"). The Board supports their election and recommends that shareholders vote in favour of the resolutions to elect them both to the Board.

As part of the planned refreshment, Simon Fraser will retire from the Board at the AGM and not seek re-election. I should like to take this opportunity, on behalf of the Board, to thank Mr Fraser for his invaluable contribution to your Company, both as its original portfolio manager and as a Director on the Board over the last fifteen years.

The objective of the Board refreshment process is to bring new talent to the Board but not at the cost of losing institutional and market knowledge, and fund management expertise. However, the Board has concluded that over time the Board should revert to a membership of five.

MANAGEMENT FEE ARRANGEMENTS

As noted in last year's Annual Report, the management fee was reduced on 1 January 2014 to 0.85% of gross assets. As a result, the Company's ongoing charges declined from 1.80% in 2013 to 1.62% in 2014. This places the Company below the average of the peer group, but the Board will continue to monitor costs very closely and will keep the Management Fee under review.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

The Board worked with its advisors in order to achieve compliance with the European Alternative Investment Fund Managers Directive ("AIFMD"), which came into effect on 22 July 2014. As a result the Board has appointed FIL Investment

Chairman's Statement

Services (UK) Limited (a Fidelity group company) to act as the Company's Alternative Investment Fund Manager ("the Manager"). FIL Investment Services (UK) Limited has delegated the portfolio management to FIL Investments International who previously acted as the Company's Manager. FIL Investments International continues to act as Company Secretary.

An additional requirement of the AIFMD was to appoint a depositary on behalf of the Company to oversee the custody and cash arrangements of the Company. The Company has appointed J.P.Morgan Europe Limited to act as the Company's Depositary. J.P.Morgan Europe Limited is part of the same group of companies as JP Morgan Chase Bank which continues to act as the Company's banker and custodian.

The full AIFMD disclosure is shown on page 69.

SUBSCRIPTION SHARES

At the General Meeting on 26 August 2014, shareholders voted to approve the Bonus Issue of one subscription share for every five ordinary shares held by qualifying shareholders. Each subscription share gives the holder the right, but not the obligation, to subscribe for one ordinary share at the end of each month from the end of September 2014 until the end of April 2016 inclusive. The exercise price, which was based on the Company's NAV at 5.00pm on 26 August 2014, plus a 2% premium to the NAV, was set at 86.50p.

Up until the end of the year, a total of 47,541 subscription shares were exercised, at which point the total number of subscription shares in issue was 22,743,320. Since the end of the year, a further 1,000 subscription shares have been exercised. Further details of the subscription shares may be found in the Director's Report on page 24.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 11.30am on 4 June 2015 at the offices of Fidelity at 25 Cannon Street, London EC2M 5TA (St Paul's or Mansion House tube station) and all investors are encouraged to attend. The Board looks forward to the opportunity to speak to shareholders of the Company. The Portfolio Manager will attend and will give a presentation on the past year and the prospects for the coming year.

OUTLOOK

Prime Minister Shinzo Abe's decision to postpone a second increase in the consumption tax is a positive both for economic growth and the market. Employment conditions are becoming increasingly tight, nominal wages are rising steadily and spending by the older members of society, who hold the bulk of the country's financial assets, is robust. In addition, the Bank of Japan's recent move to expand its quantitative easing programme has reaffirmed its commitment to achieving sustainable inflation. Meanwhile, corporate tax reform and asset reallocation at the Government Pension Investment Fund (Japan) should turn out to be major supports for the market. The apparent lack of momentum behind the structural reforms pledged in the third of the three arrows of Abenomics poses a risk, and sentiment has flagged to some degree over the last year as a result of the slow progress. However, structural reforms are beginning to be implemented at the micro level. For example, Japan's new stewardship and corporate governance codes, in addition to the introduction of the JPX-Nikkei 400 Index, are focusing the minds of Japanese corporates. Many companies are actively taking steps to raise corporate value by boosting shareholder payouts and improving their return on equity, which can only add to the attraction of the Japanese market.

Although the Japanese economy entered a technical recession following the consumption tax increase, corporate earnings have continued to grow. The earnings revision index in Japan has been in positive territory since late May of last year, whereas the relevant indices for most other regions remain negative. Company guidance continues to look on the conservative side and the yen has weakened significantly more than many companies assumed in their projections. Combined with the recent oil price decline, moderately stronger external demand and the prospect of corporate tax cuts from April 2015, we are likely to see upward earnings revisions in coming months.

From a valuation perspective, Japanese stocks are still historically cheap. The market trades on a prospective price-to-earnings discount to other developed markets and even has a higher prospective dividend yield than the US market. It is indeed rare for Japan to offer such a discount and this appears to present a good opportunity for investors to capture positive returns in the Japanese market.

Considering the coordinated pro-growth policies and the fundamental changes in corporate behaviour that are occurring, and the fact that Japan is among the few major markets to offer a valuation discount, the mid term outlook for Japanese equities is attractive.

David Robins
Chairman
30 March 2015

Portfolio Manager's Review

FIL INVESTMENTS SERVICES (UK) LIMITED

The Company is managed by FIL Investment Services (UK) Limited (which is authorised and regulated by the Financial Conduct Authority). It is part of the FIL Limited group which, as at 31 December 2014, had total assets under management exceeding £175.9 billion. FIL Investment Services (UK) Limited has delegated the portfolio management of the Company to FIL Investments International.

SHINJI HIGAKI

Shinji Higaki (Portfolio Manager from September 2007) also manages retail Japanese smaller companies funds and Japanese domestic institutional mandates. He joined Fidelity in 1999 as an equity research analyst. He has an MBA from the London Business School and a Bachelor of Arts from Keio University.

MARKET REVIEW

Positive returns in the Japanese equity market were generated largely during the last two months of the year. There were two events behind the year-end rally. First, the Bank of Japan's ("BoJ") move to expand its quantitative and qualitative easing ("QQE") programme in November reaffirmed its commitment to achieving sustainable inflation. This triggered a reversal in the yen/dollar rate, driving the yen to a six-year low of ¥121.85 against the US dollar in December. Second, the leading Liberal Democratic Party's victory in a snap general election for Japan's lower house of parliament in December worked as a vote of confidence for Prime Minister Shinzo Abe's decision to postpone a second sales tax hike. This also reset the clock on the four-year electoral cycle, giving him more time to implement his economic revitalisation plans.

Throughout the year, the inverse correlation between the yen and the Japanese equity market remained strong. During the year-end rally, a weaker yen, combined with lower crude oil prices, created tailwinds for transportation, chemicals and technology hardware, whereas resource-related stocks such as steel, oil and coal producers performed poorly. Small-cap stocks fared better than their large-cap counterparts over the year, supported by robust growth prospects and low valuations.

PERFORMANCE REVIEW

The Company's NAV increased from 79.02p to 81.48p during the year under review, but it underperformed the Reference Index.

As demonstrated by the Attribution Analysis below, the market's movement added 10.13p to the NAV per share, stock selection detracted 1.71p and gearing added 1.37p. Although the devaluation of the yen has improved the competitiveness of the Japanese economy and helped drive the re-rating of Japanese equities, its effect when re-valuing yen-based assets into sterling had the effect of detracting 7.25p from the NAV per share.

Attribution Analysis	Year ended 31 December 2014 (pence)
NAV at 31 December 2013	**79.02**
Impact of the Reference Index (in yen terms)	+10.13
Impact of Reference Index income (in yen terms)	+1.56
Impact of stock selection (relative to the Index)	-1.71
Impact of gearing (in yen terms)	+1.37
Impact of exchange rate	-7.25
Impact of charges	-1.27
Impact of cash	-0.14
Impact of subscription share issue costs	-0.17
Gearing Expenses	-0.06
NAV at 31 December 2014	**81.48**

Portfolio Manager's Review

Over the year, stock selection in the technology sector supported returns, with niche global manufacturers adding value. A combination of a weaker yen and robust global demand contributed to margin expansion. Major contributors included Japan Aviation Electronics, Hamamatsu Photonics and Rohm. In the wholesale sector, used car auctioneer Gulliver International, which struggled in 2013, recovered lost ground.

Conversely, holdings in the retail trade sector performed poorly, as an impending consumption tax hike led to increased uncertainty. An overweight position in Seria accounted for a large part of the underperformance. Holdings in the information & communication sector also struggled; the position in WirelessGate was one of the largest detractors.

Elsewhere, stock selection in the service sector was mixed. Internet-related stocks were generally weak, relinquishing a portion of last year's solid gains. Strong contributions from M3, Tosho, Resorttrust and N. Field were more than offset by losses from key holdings in Livesense, Round One, Sanix and Kakaku.com.

The table opposite shows the principal five contributors to, and principal five detractors from, the Company's performance relative to the Reference Index.

Principal contributors to relative return	Return %*	Contribution to Company performance versus the Index
M3	+43.4	0.90p
Japan Aviation Electronics	+83.8	0.87p
Tosho	+41.4	0.75p
Hamamatsu Photonics	+28.3	0.42p
Rohm	+34.2	0.41p

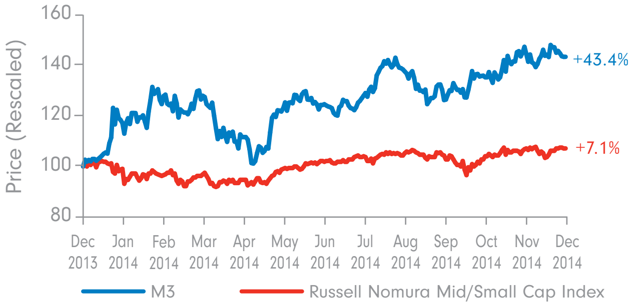
Principal detractors from relative return	Return %*	Detraction to Company performance versus the Index
Livesense	-74.6	-0.99p
Nuflare Technology	-67.4	-0.56p
Seria	-11.7	-0.47p
Aeon Mall	-32.2	-0.43p
WirelessGate	-18.7	-0.42p

* return in GBP. Source: Bloomberg as at 30 December 2014.

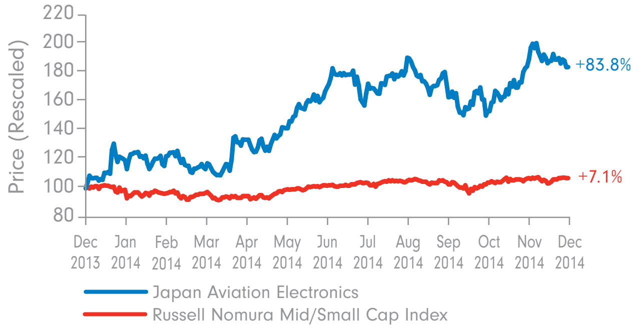
Portfolio Manager's Review

PRINCIPAL CONTRIBUTORS

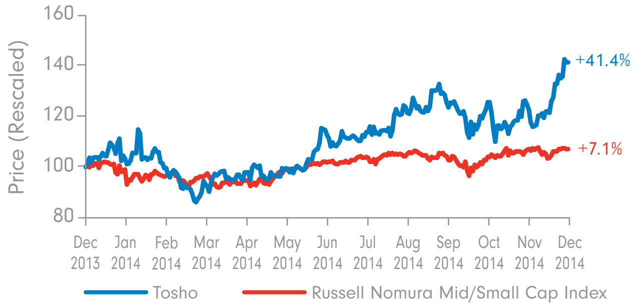
M3 operates medical portal sites dedicated to health care professionals in Japan, USA, South Korea and Europe. Strong earnings growth is driven by overseas expansion, particularly in China. It also provides large-scale clinical trial services for pharmaceutical companies, which are expected to give additional impetus to M3's mid to long term growth. M3 has consistently added value over time since the position was initiated in 2007.



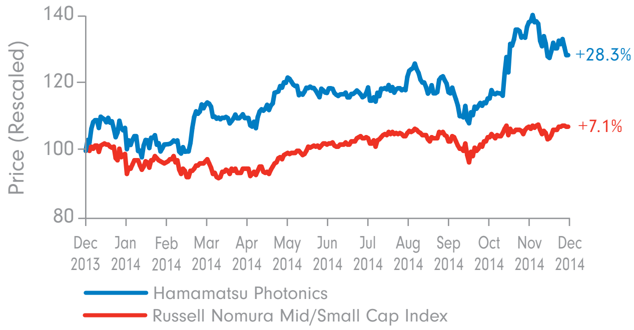
Japan Aviation Electronics is another good performer in the portfolio. It is a niche manufacturer of connectors used for smartphones and automobiles. It is benefiting from secular growth in electronic parts used for automobiles and has successfully maintained a large market share in connectors used for mobile devices. Strong sales growth and a weaker yen fuelled expectations for margin expansion throughout the year.



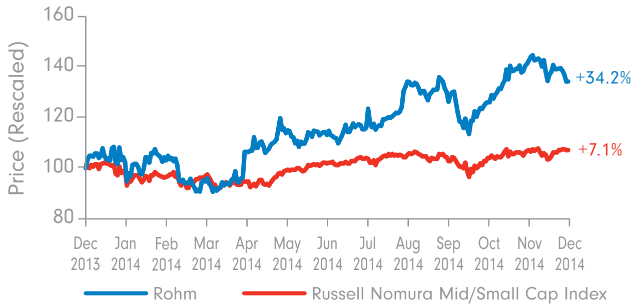
Tosho operates sports club facilities and hotels primarily in Aichi prefecture. Strong earnings momentum is driven by new openings of sports clubs and hotels. Business expansion outside Aichi is expected to be the key earnings driver over the medium term.



Hamamatsu Photonics is the world's leading supplier of ultrasensitive light sensors that have potential uses in a wide range of fields, including medical, dental and chemical analysis, scientific research and transportation. It has a competitive niche in the global diagnostic imaging equipment market, with exposure to the high-end and high-margin PET/CT, PET/MRI, and digital X-ray systems.



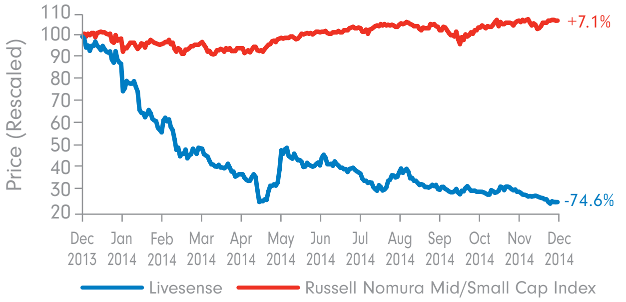
Rohm is another beneficiary of a weaker yen and increasing demand for power semiconductors for automotive use. Its products include driver integrated circuits ("IC") for light-emitting diode (LED) headlights, semiconductors for infotainment systems, and driver ICs and silicon carbide inverters to produce high efficiency motors.



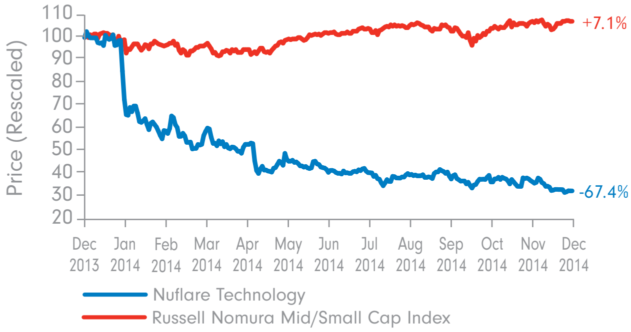
Portfolio Manager's Review

PRINCIPAL DETRACTORS

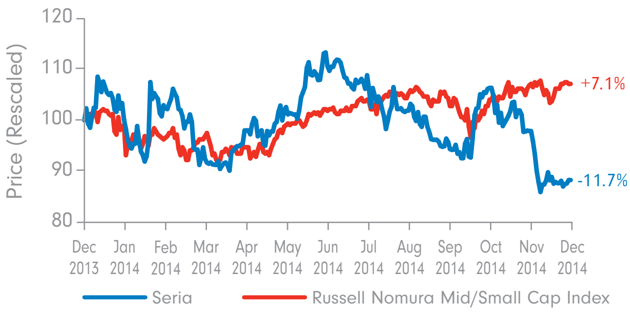
Livesense operates job placement and rental apartment search websites. It was the single largest detractor from returns. Although the company was well-positioned to benefit from increasing job offers, its profit was under pressure from a decline in successful job placements and rising advertisement costs. As no near term improvement in the company's cost structure was seen, the position was sold in December 2014.



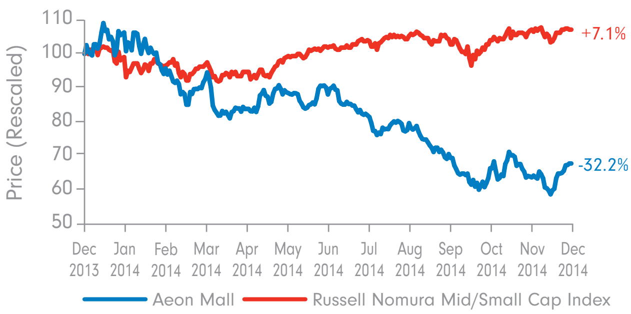
Nuflare Technology is a manufacturer of semiconductor production equipment with a dominant global market share in mask writers. Its share price fell on earnings disappointments and as a result of earnings downgrades, its valuations looked stretched. The position was sold in August 2014.



Seria operates a nationwide chain of 100-yen shops in Japan, an equivalent of a pound store in the UK. Despite weak consumption after the sales tax hike, Seria's same store sales have continued to grow on a year-over-year basis. However, concerns about rising costs of imported goods due to the yen's weakness weighed on its share price. The overweight position in the company is maintained, as Seria's inventory management and demand forecast capabilities make it a long term winner in the retail sector.



Aeon Mall is another retailer that fared poorly amid weak consumption after the sales tax hike. It operates a chain of large-scale shopping malls in Japan. Rents received by Aeon Mall are highly sensitive to changes in sales at tenant stores, and rental income after the tax hike in April has been weak. The company also scaled back its domestic mall rollout plan in view of the current shortage of construction workers. Although the impact of weaker sales growth was within expectations, the change to its mall opening plans has negative implications for its mid term growth scenario. The position was sold in November 2014.



WirelessGate provides Wi-Fi services in public spaces in Japan. It was one of the major contributors to returns in the first half of 2014, but its share price dropped sharply in response to an unexpected senior management change. The former CEO was appointed only six months ago in order to drive the new Wi-Fi environment enabler service. However, the founder of the company took over the position to accelerate an expansion of the existing MVNO (Mobile Virtual Network Operations) business. Although its profit margins are currently under pressure given the start-up costs of a new high-speed connection service, its long term growth scenario remains intact. Therefore, it remains in the portfolio.

Portfolio Manager's Review

PORTFOLIO REVIEW

The following tables show the key stock positions versus the Russell Nomura Mid/Small Cap Index at the beginning and end of 2014.

Top Ten Positions as at 31 December 2013	Company Holding %	Index Weight %	Active Weight %
Sanix	3.0	–	3.0
M3	2.8	0.1	2.7
Lixil Group	2.7	0.5	2.2
Sekisui Chemical	2.5	0.3	2.2
Tosho	2.4	–	2.4
Seria	2.2	–	2.2
Livesense	2.2	–	2.2
Nihon Nohyaku	2.1	–	2.1
Stanley Electric	2.0	0.2	1.8
Japan Aviation Electronics	1.9	–	1.9

Top Ten Positions as at 31 December 2014	Company Holding %	Index Weight %	Active Weight %
M3	3.9	0.2	3.7
Tosho	3.8	–	3.8
Seria	2.7	–	2.7
N Field	2.5	–	2.5
Stanley Electric	2.3	0.2	2.1
Sekisui Chemical	2.2	0.3	1.9
Hamamatsu Photonics	2.2	0.2	2.0
Hikari Tsushin	2.2	0.1	2.1
WirelessGate	2.1	–	2.1
Nihon Nohyaku	2.1	–	2.1

Stock selection is based on a thorough analysis of company fundamentals with particular emphasis placed on first-hand information from companies, which is cross-checked with supply-chain and macroeconomic data. The portfolio aims to capitalise on the growth potential of smaller companies. Being relatively young and dynamic, these companies are often able to create their own niche market and may therefore be capable of expanding their business regardless of the external economic environment. Management's track record in raising shareholder returns is also a key consideration.

Over the year under review, the Company maintained a diversified portfolio with balanced exposure to companies benefiting from global growth, those creating their own niche or driving change in their own industry, and those leveraging a shift in consumer behaviour in the domestic market.

Positions in niche technology exporters were taken. These stocks benefited from a weaker yen and global market expansion and included Sysmex (blood testing equipment), Nakanishi (dental drilling equipment), Seiko Epson (inkjet printers) and Dai-ichi Seiko (automotive parts).

Despite the near term headwinds, the Portfolio Manager feels that the long term growth potential of companies benefiting from a broad shift towards internet-based commercial and consumer services remains intact. This is reflected in the large overweight positions in the services and information & communication sectors.

The holding in Sanix was sold. This was the single largest stock position during the first half of the year under review. It is a solar power integrator that installs small-scale solar panels for commercial and residential use. It was considered to be a beneficiary of increasing solar power system installations supported by the government's Feed In Tariff ("FIT") programme for purchasing clean energy. However, it was unclear just how sustainable the FIT programme would be vis-à-vis rapidly falling oil prices. As a result, power companies suspended new applications for solar power installation, thereby forcing Sanix to downgrade its earnings projections.

The Portfolio Manager's stance on stock valuation is to buy into weakness and sell into strength – a strategy that can result in some trading activity given the volatility of the stocks held in the portfolio. The portfolio turnover during 2014 was 56.7%, which is lower than the previous year's 86.3%.

OUTLOOK

Since the end of October, authorities in Japan have delivered three policy initiatives: a boost to QQE by the BoJ; asset reallocation by the Government Pension Investment Fund ("GPIF"); and the deferral of the second sales tax hike. These recent developments notwithstanding, slow progress in areas such as labour market reforms and Trans-Pacific Partnership negotiations have fuelled scepticism about Prime Minister Abe's third arrow. However, we are seeing positive developments on the ground in terms of micro-level reforms. The new JPX Nikkei 400 Index has spurred companies to boost shareholder returns and to improve capital efficiency. By investing in assets that track the index, the BoJ and the GPIF are also supporting steps to improve returns on equity. The Stewardship Code is forcing institutional shareholders in Japan to actively engage with investee companies and hold boards accountable, and all listed

Portfolio Manager's Review

companies will have to comply with a new corporate governance code, which is due to be introduced this year.

Despite lingering concerns about macroeconomic headlines, Japanese companies' earnings results highlighted solid fundamentals in the corporate sector. TSE1-listed companies (excluding financials) posted a 5% increase in sales and 11% growth in recurring profits for the six months to October 2014. In addition to the benefits of a weaker yen, restructuring and cost saving measures contributed to the improvement in earnings. Moreover, lower oil prices and a weak yen create further upside in corporate earnings, while consensus earnings estimates remain somewhat conservative.

More than ever, there is a broad-based commitment to reforms and, with returns going up, we can also expect valuations to rise. It is also important to note that Japanese corporate fundamentals are relatively insulated from the recent turmoil in the eurozone. Your Portfolio Manager believes that Japan could offer attractive investment opportunities in companies with long term growth potential. In addition, he also believes that there are abundant stock-picking opportunities given the diverse earnings growth drivers, ranging from a cyclical upturn in demand to a shift from stakeholder-oriented to shareholder-centric management.

Shinji Higaki
Portfolio Manager
30 March 2015

Strategic Report

The Directors present the Strategic Report of the Company. It provides a review of the Company's business and describes the principal risks and uncertainties it faces. An analysis of the performance of the Company during the financial year and the position at the year end is included taking into account its objective, strategy and risks as well as how these are measured using key performance indicators. The Chairman's Statement and Portfolio Manager's Review form part of the Strategic Report.

BUSINESS AND STATUS

The Company carries on business as an investment trust 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 operates as such. It is not a close company and has no employees.

PRIMARY OBJECTIVE

The primary objective of your Company is to enhance shareholder value, achieved through long term capital growth from an actively managed portfolio of securities primarily of small and medium sized Japanese companies listed or traded on Japanese stockmarkets.

STRATEGY

In order to achieve its investment objective, the Company has delegated the management of the investment portfolio and certain other services to FIL Investment Services (UK) Limited ("the Manager"). The Manager will aim to achieve a capital return on the Company's total assets over the longer term in excess of the equivalent return on the Company's Reference Index, the Russell Nomura Mid/Small Cap Index, as expressed in sterling.

The Board recognises that investing in equities is a long term process and that the Company's returns will vary from year to year. Unlike equivalent open-ended investment vehicles, the investment trust structure offers investors a portfolio which may be geared. The Board takes the view that long term returns can be enhanced by the use of gearing in a carefully considered and monitored way. The gearing range is considered by the Board regularly.

INVESTMENT POLICY

The markets in which the Company may invest comprise primarily the Tokyo Stock Exchange, along with the Jasdaq and the regional stockmarkets of Fukuoka, Nagoya, Osaka and Sapporo.

In order to diversify the Company's portfolio, the Board has set guidelines for the Manager to restrict investment to a maximum of 7.5% in the aggregate of all securities of any one company or other investment entity (10% for any group of companies) at the time of purchase, which is further limited to 12% of the Company's equity portfolio based on the latest market value.

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

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

A maximum of 15% of the Company's total assets may be invested in the securities of other investment trust companies. As at 31 December 2014 there were no such holdings in the Company's portfolio (2013: nil).

The Company's policy is to be geared in the belief that long term investment returns will exceed the costs of gearing. This gearing is obtained through the use of borrowing and/or through the use of CFDs to obtain exposure to Japanese equities selected by the Manager. The effect of gearing is to magnify the consequence of market movements on the portfolio and if the portfolio value rises the NAV will be positively impacted, but if it falls the NAV will be adversely impacted. The Board is responsible for the level of gearing in the Company and reviews the position on a regular basis.

The aggregate exposure of the Company to Japanese equities, whether held directly or through CFDs, will not exceed shareholders' funds by more than 30% at the time at which 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 majority of the Company's exposure to Japanese equities will be through direct investment, not CFDs. In addition, the limits on exposure to individual companies and groups set out above will be calculated as if the Company had acquired the securities to which any CFD is providing exposure (i.e. on a total exposure basis).

The investment in Japanese equities achieved through borrowings and/or CFDs is subject to the exposure limits set out above and the total will not exceed 30% of shareholders' funds at the time of acquisition. At the year end the Company was 22.2% geared.

Generally, the maximum that the Company will hold in cash will be 25% of the total value of the Company's assets, but this limit will not include any cash or cash equivalent paid as collateral for unrealised losses on CFDs. In practice the cash position will normally be much lower.

Strategic Report

The spread of risk within the Company's portfolio is achieved by having exposure to a wide range of stocks which are chosen on their individual merits with stocks directly held to be easily sold to meet funding commitments as necessary.

Under AIFMD, new rules have been introduced that change the way in which borrowing and market exposure of investment companies is reported. These leverage rules are in addition to the existing gearing limits and, rather than applying to the Company, apply to FIL Investment Services (UK) Limited as the AIFM. Details of the leverage limits and associated controls are contained in the AIFM's Disclosure on page 69.

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

INVESTMENT MANAGEMENT PHILOSOPHY, STYLE AND PROCESS

The Portfolio Manager utilises a "bottom up" stock picking approach. Supported by a team of 22 research analysts based in Tokyo, he seeks to identify attractively valued companies through extensive research and rigorous valuation analysis rather than constructing the portfolio on the basis of macroeconomic analysis. The Portfolio Manager has a focus on small caps with multi-year growth potential.

PERFORMANCE

Details of the performance for the year, together with an analysis of trends and factors that may impact the future performance of the Company, may be found in the Chairman's Statement on pages 3 and 4 and the Portfolio Manager's Review on pages 5 to 10. The ten year Summary of Performance is on page 20. The Ten Largest Investments are listed on page 15, the Full Portfolio Listing is on pages 16 to 18 and the Distribution of the Portfolio is on page 19.

RESULTS

The Company's results are set out in the Income Statement on page 42. The total return after taxation for the year ended 31 December 2014 was £2,803,000, of which the revenue loss amounted to £509,000.

KEY PERFORMANCE INDICATORS

The key performance indicators ("KPIs") used to measure the progress and performance of the Company over time and which are comparable to those reported by other investment trusts are: the performance of the NAV per share, both in absolute terms and in relation to the Russell Nomura Mid/Small Cap Index (the Reference Index); share price performance; and the discount of the NAV per share to the share price. Details of how the Company has performed against these KPIs, may be found in the Summary of Performance on page 20.

As well as the KPIs above, the Board also regularly monitors other relevant statistics, including investment performance compared to the Company's peer group.

The Directors also monitor the various factors contributing to investment results, as set out in the Attribution Analysis table on page 5.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The process is regularly reviewed by the Board in accordance with the Financial Reporting Council's ("FRC's") "Internal Control: Revised Guidance for Directors".

The Board is responsible for the Company's systems of risk management and of internal controls and for reviewing its effectiveness. An internal controls report providing an assessment of risks, together with controls to mitigate these risks, is prepared by the Manager and considered by the Audit Committee regularly.

The Board also determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

The Board considers the following as the principal risks and uncertainties faced by the Company:

Market Risk

The Company's assets largely consist of listed securities and the principal risks are therefore market related such as market downturn, interest rate movements and exchange rate movements. The Portfolio Manager's success in protecting and increasing the Company's assets against this background is core to the Company's performance.

Risks to which the Company is exposed and which form part of the market risks category are included in Note 17 to the Financial Statements on pages 54 to 58 together with summaries of the policies for managing these risks. These comprise: market price risk (comprising interest rate risk, foreign currency risk and other price risk), liquidity risk, counterparty risk, credit risk and derivative instruments risk.

Performance Risk

The achievement of the Company's performance objective requires the assumption of risk. Strategy, asset allocation and stock selection might lead to underperformance of the Reference Index and target.

The Company has a clearly defined strategy and investment remit which is detailed in the management agreement between the Company and the Manager. Borrowing/derivative limits are set by the Board.

The Board relies on the Portfolio Manager's skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors. The portfolio is managed by a highly experienced Portfolio Manager, supported and overseen by the Manager's investment team.

The Board reviews the performance of the asset value of the portfolio against the Company's Reference Index and competitors and the outlook for the market with the Manager at each Board meeting. The emphasis is on long term investment performance and the Board accepts that by targeting long term results the Company risks volatility of performance in the shorter term.

Strategic Report

Discount Control Risk

The Board is not able to control the prices at which the Company's ordinary shares trade; they may not reflect the value of the underlying investments. However, it can have a modest influence in the market by maintaining the profile of the Company through an active marketing campaign and, under certain circumstances, through repurchasing shares. No shares were repurchased during the year. The Company's share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board regularly.

Currency Risk

The Company's total return and Balance Sheet are affected by foreign exchange movements because the Company has assets and income which are denominated in yen whilst the Company's base currency is sterling. While it is the Company's policy not to hedge currency, the fact that gearing by way of long CFDs is in yen means that part of the investment portfolio funded by gearing is naturally hedged against changes in the yen:sterling exchange rate. Further details can be found in Note 17 to the Financial Statements on pages 54 to 58.

Gearing Risk

The Company has the option to make use of loan facilities or to use Contracts For Difference ("CFDs") to invest in equities. The principal risk is that gearing magnifies investment returns. Therefore, if the Company is geared in strongly performing stocks the Company will benefit from gearing. If the Company is geared in poorly performing stocks, the impact would be detrimental. Other risks are that the cost of gearing may be too high or that the term of the gearing is inappropriate in relation to market conditions. The Company currently has no bank loans and geared exposure is being achieved solely through the use of long CFDs. This has reduced the cost of gearing and provides greater flexibility. The Board regularly considers gearing and gearing risk and sets limits accordingly.

Tax and Regulatory Risks

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. A breach of other legal and regulatory rules may lead to suspension from listing on the Stock Exchange or a qualified audit report. The Board receives regular reports from the Manager confirming regulatory compliance during the year.

The regulation which demanded the most attention from the Board in this reporting year was the Alternative Investment Fund Managers Directive. Details can be found in the Chairman's Statement on pages 3 and 4.

An additional requirement of the AIFMD was to appoint a depositary on behalf of the Company to oversee the custody and cash arrangements of the Company. JP Morgan Chase Bank acts as the Company's current banker and custodian and will continue to do so. The Company has extended this arrangement and appointed J.P. Morgan Europe Limited, part of the same group of companies as JP Morgan Chase Bank, to act as the Company's Depositary.

Operational Risks

The Company has no employees and relies on a number of third party service providers, principally the Manager, Registrar, Custodian and Depositary. The Company is dependent on the Manager's control systems and those of its Registrar, Custodian and Depositary, both of which are monitored and managed by the Manager on behalf of the Board.

The security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements, among other things, rely on the effective operation of such systems.

The Manager, Registrar, Custodian and Depositary are subject to a risk-based programme of reviews by the Manager's internal audit department. In addition, service providers' own internal controls reports are received and reviewed by the Board and any concerns investigated.

While it is believed that the likelihood of poor governance, compliance and operational administration by third party service providers is low, the financial consequences could be serious, including the associated reputational damage to the Company.

Financial Instrument Risks

The financial instrument risks faced by the Company are shown in Note 17 to the Financial Statements on pages 54 to 58. The additional risk to the Company of using long CFDs rather than traditional forms of borrowing is that the Company does not own the Japanese equities to which the long CFDs give exposure and is at risk if the counterparty defaults, for example for insolvency reasons. The balance on all outstanding long CFDs is calculated on a daily basis with collateral then adjusted so that collateral equal to the outstanding balance has been recognised, although no collateral adjustment is made where the outstanding balance is less than US$1 million. This results in a potential exposure, which could be increased due to settlement practices and timing differences, to a maximum of US$1 million plus three days' unrealised trading profits or losses.

Other Risks

A continuation vote takes place every three years, with the next such vote due to take place in 2016. There is a risk that shareholders may not vote in favour of continuation during periods when performance is poor.

BOARD DIVERSITY

When refreshing its composition, the Board carries out its 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. As at 31 December 2014, there were six male Directors and one female Director on the Board.

EMPLOYEE, SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

The Company has no employees and all of its Directors are non-executive. The Company's day-to-day activities are carried out by third parties. The Company has not adopted a policy on

Strategic Report

human rights as it has no employees and its operational processes are delegated.

The Company's financial reports are printed by a company which has won awards for its environmental awareness and further details of this may be found on the back cover of this report.

Financial reports and other publicly available documentation are also available on the Company's website www.fidelity.co.uk/its. Details about Fidelity's own community involvement may be found on its website www.fidelity.co.uk.

SOCIALLY RESPONSIBLE INVESTMENT

The Manager's primary objective is to produce superior financial returns to investors. It believes that high standards of corporate social responsibility ("CSR") make good business sense and have the potential to protect and enhance investment returns. Consequently, social, environmental and ethical issues form part of the criteria to take into account in the investment decision process.

CORPORATE ENGAGEMENT

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

FUTURE DEVELOPMENTS

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 3 and 4 and Portfolio Manager's Review on pages 5 to 10.

By order of the Board
FIL Investments International
Secretary
30 March 2015

Ten Largest Investments as at 31 December 2014

Ten Largest Investments, including long CFDs The Full Portfolio Listing is set out on pages 16 to 18	Exposure £'000	Fair value[1] £'000	Total Exposure %[2]
M3 (CFD)[3] Provider of medical related internet services	4,476	2,618	3.9
Tosho Operator of sports club facilities, hotels and golf courses	4,266	4,266	3.8
Seria Operator of '100 yen' chain stores throughout Japan	3,019	3,019	2.7
N Field Provider of home care services	2,820	2,820	2.5
Stanley Electric (CFD)[3] Manufacturer and distributor of automotive equipment	2,604	48	2.3
Sekisui Chemical (CFD)[3] Producer of housing materials, plastics and flat panel displays	2,533	1,083	2.2
Hamamatsu Photonics (CFD)[3] Manufacturer and distributor of imaging equipment	2,529	371	2.2
Hikari Tsushin Retailer of electronic devices	2,493	2,493	2.2
WirelessGate Provider of high-speed wireless communications services	2,426	2,426	2.1
Nihon Nohyaku Manufacturer of agrochemical and pharmaceutical products	2,308	2,308	2.1
Ten Largest Investments (2013: 23.8%)	29,474	21,452	26.0
Other Investments (2013: 76.2%)	84,075	68,191	74.0
Total Portfolio (including long CFDs)	113,549	89,643	100.0

1 Fair value represents the carrying value in the Balance Sheet on page 44
2 % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs
3 An explanation of how fair value is calculated for long CFD positions is given in Note 1(h) on page 47

Full Portfolio Listing as at 31 December 2014

Portfolio, including long CFDs	Exposure £'000	Fair Value[1] £'000	Exposure %[2]
M3 (CFD)[3]	4,476	2,618	3.9
Tosho	4,266	4,266	3.8
Seria	3,019	3,019	2.7
N Field	2,820	2,820	2.5
Stanley Electric (CFD)[3]	2,604	48	2.3
Sekisui Chemical (CFD)[3]	2,533	1,083	2.2
Hamamatsu Photonics (CFD)[3]	2,529	371	2.2
Hikari Tsushin	2,493	2,493	2.2
WirelessGate	2,426	2,426	2.1
Nihon Nohyaku	2,308	2,308	2.1
Rohm (CFD)[3]	2,286	604	2.0
Sumitomo Electric Industries (CFD)[3]	2,207	331	1.9
Gulliver International	2,113	2,113	1.9
Japan Aviation Electronics	2,067	2,067	1.8
Fuji Kyuko	2,004	2,004	1.8
Nifco	2,000	2,000	1.8
Shinmaywa Industries (CFD)[3]	1,994	227	1.8
Anicom Holdings	1,939	1,939	1.7
Seiko Epson (CFD)[3]	1,899	(122)	1.7
Iida Group Holdings	1,870	1,870	1.6
Round One	1,854	1,854	1.6
Daicel Corp (CFD)[3]	1,828	7	1.6
Asahi Intecc	1,826	1,826	1.6
Toray Industries	1,794	1,794	1.6
NTT Urban Development (CFD)[3]	1,772	437	1.6
Ai Holdings	1,678	1,678	1.5
Mani	1,640	1,640	1.4
Mobile Create Company	1,636	1,636	1.4
Ono Pharmaceutical (CFD)[3]	1,613	274	1.4
OSG	1,529	1,529	1.3
Aisin Seiki (CFD)[3]	1,514	290	1.3
PC Depot	1,495	1,495	1.3
Disco (CFD)[3]	1,464	609	1.3
Zenkoku Hosho	1,319	1,319	1.2
UMN Pharma	1,287	1,287	1.1
Nitto Denko	1,270	1,270	1.1
Fujibo Holdings	1,204	1,204	1.1
JFE Holdings	1,193	1,193	1.1
Tachi-S	1,175	1,175	1.0
Ashikaga Holdings	1,167	1,167	1.0
MS&AD Insurance Group Holdings	1,158	1,158	1.0
Sysmex	1,088	1,088	1.0

Full Portfolio Listing as at 31 December 2014

Portfolio, including long CFDs	Exposure £'000	Fair Value[1] £'000	Exposure %[2]
Dai-Ichi Seiko	1,059	1,059	0.9
Aozora Bank (CFD)[3]	1,055	(17)	0.9
Nakanishi	992	992	0.9
Financial Products Group	981	981	0.9
Hito Communications	978	978	0.9
THK	926	926	0.8
Temp Holdings	921	921	0.8
Seikagaku	918	918	0.8
Mitsuba	916	916	0.8
Honeys	875	875	0.8
Technopro Holdings	796	796	0.7
Monotaro	768	768	0.7
Nippon Gas	755	755	0.7
Rakuten (Tokyo)	742	742	0.7
Kyudenko	740	740	0.7
Kinden	714	714	0.6
Daiseki	713	713	0.6
Sanki Engineering	684	684	0.6
Jin	679	679	0.6
Obayashi	670	670	0.6
Shinkawa	660	660	0.6
Resorttrust	658	658	0.6
Penta Ocean Construction	656	656	0.6
Benesse (CFD)[3]	646	35	0.6
Kakaku.Com (CFD)[3]	644	363	0.6
Shionogi	637	637	0.6
Brother Industries	636	636	0.6
Nippon Signal	633	633	0.6
VT Holdings	620	620	0.5
Fujimi	615	615	0.5
Yamaha	605	605	0.5
Daiken Medical	603	603	0.5
Sacs Bar Holdings	602	602	0.5
Tokai Holdings	594	594	0.5
Nippon Parking Development	584	584	0.5
Sourcenext Corporation	561	561	0.5
First Energy Service	556	556	0.5
Nitto Kogyo	552	552	0.5
Adventure	529	529	0.5
Showa	512	512	0.4
NEC	500	500	0.4
Mobcast	458	458	0.4

Full Portfolio Listing as at 31 December 2014

Portfolio, including long CFDs	Exposure £'000	Fair Value[1] £'000	Exposure %[2]
Digital Arts	319	319	0.3
Nisso Pronity	294	294	0.2
Sekisui Plastic	290	290	0.2
Benefit One	239	239	0.2
F@N Communications	107	107	0.1
Total Portfolio (including long CFDs)	113,549	89,643	100.0

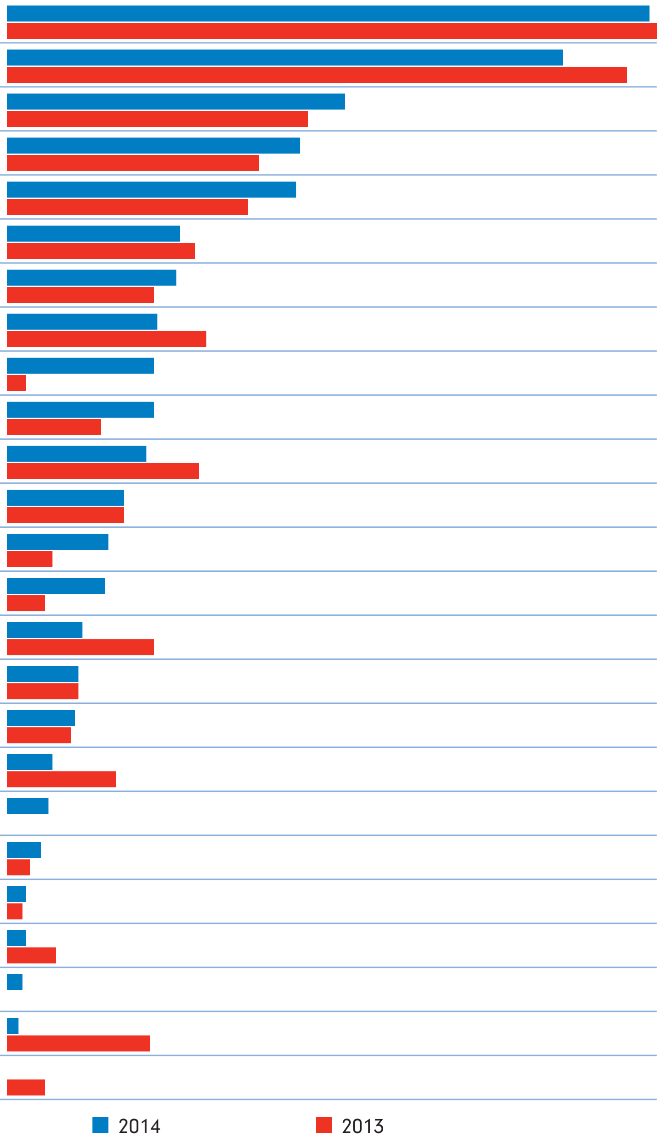
1 Fair value represents the carrying value in the Balance Sheet on page 44
2 % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs
3 An explanation of how fair value is calculated for long CFD positions is given in Note 1(h) on page 47

Gearing as at 31 December 2014

Portfolio, including long CFDs	2014 Exposure £'000	2013 Exposure £'000
Investments	82,486	84,031
Long CFDs	31,063	21,118
Total portfolio exposure	113,549	105,149
Shareholders' funds (per the Balance Sheet on page 44)	92,886	90,042
Total portfolio exposure in excess of shareholders' funds (Gearing)	22.2%	16.8%

Distribution of the Portfolio as at 31 December 2014

Investments (including long CFDs)	2014 %[1]	2013 %[1]
Services	17.1	17.3
Electrical Machinery	14.8	16.5
Chemicals	9.0	8.0
Information & Communications	7.8	6.7
Retail Trade	7.7	6.4
Transport Equipment	4.6	5.0
Precision Instruments	4.5	3.9
Machinery	4.0	5.3
Pharmaceuticals	3.9	0.5
Wholesale Trade	3.9	2.5
Real Estate	3.7	5.1
Construction	3.1	3.1
Insurance	2.7	1.2
Textiles & Apparel	2.6	1.0
Banks	2.0	3.9
Non-ferrous Metals	1.9	1.9
Land Transportation	1.8	1.7
Other Financing Business	1.2	2.9
Iron & Steel	1.1	–
Securities	0.9	0.6
Glass & Ceramics	0.5	0.4
Other Products	0.5	1.3
Electric Power & Gas	0.4	–
Metal Products	0.3	3.8
Rubber Products	–	1.0
Total	**100.0**	**100.0**



[1] % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs

Summary of Performance

Historical Record as at 31 December	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total portfolio exposure (£m)[1]	114	105	70	77	79	68	75	79	92	137
Shareholders' funds (£m)	93	90[2]	58	63	65	53	51	65	78	121
NAV per ordinary share (p) – undiluted	81.48	79.02	59.94	64.17	68.44	55.56	53.58	66.67	79.59	123.56
NAV per ordinary share (p) – diluted	n/a	n/a	59.91	62.79	66.21	55.47	n/a	n/a	n/a	n/a
Ordinary share price (p)	72.00	72.00	51.63	52.50	57.25	48.50	41.75	58.50	73.50	130.25
Subscription share price (p)	4.25	n/a	0.80	5.70	11.75	8.28	n/a	n/a	n/a	n/a
(Discount)/premium to NAV % – undiluted	(11.6)	(8.9)	(13.9)	(18.2)	(16.4)	(12.7)	(22.1)	(12.3)	(7.7)	5.4
Discount to NAV % – diluted	n/a	n/a	(12.8)	(16.4)	(13.5)	(12.6)	n/a	n/a	n/a	n/a
Revenue (loss)/return per ordinary share (p)	(0.45)	(0.30)	(0.06)	0.02	(0.30)	(0.73)	(0.12)	(0.49)	(0.68)	(1.02)
Dividend per ordinary share (p)	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil
Ongoing charges (%) (cost of running the Company)	1.62	1.80	2.00	1.98	2.08	2.17	1.98	1.65	1.46	1.83
Gearing (%)[3]	22.2	16.8	21.0	23.2	20.9	3.8	28.5	20.7	16.9	11.5
NAV per ordinary share total return performance – undiluted (%)	+3.1	+31.8	-6.6	-6.2	+23.2	+3.7	-19.6	-16.2	-35.6	+73.4
NAV per ordinary share total return performance – diluted (%)	n/a	n/a	-5.7	-5.2	+19.4	n/a	n/a	n/a	n/a	n/a
Ordinary share price total return performance (%)	0.0	+39.5	-1.7	-8.3	+18.0	+16.2	-28.6	-20.4	-43.6	+110.9
Russell Nomura Mid/Small Cap Index total return (in sterling terms) (%)	+5.1	+21.7	-3.1	-9.3	+18.6	-6.3	+4.4	-8.5	-18.5	+44.5

1 The total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs. The amounts prior to 2009 represent total assets less creditors, excluding bank loans
2 The issue of 17,232,149 ordinary shares, on the exercise of subscription share rights, contributed £9.4 million to the increase in shareholders' funds
3 Total portfolio exposure in excess of shareholders' funds. The amounts prior to 2009 represent total assets, less bank loans plus cash at bank, in excess of shareholders' funds

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

Summary of Performance

Total return performance from launch to 31 December 2014

Prices rebased to 100
Sources: Fidelity and Datastream

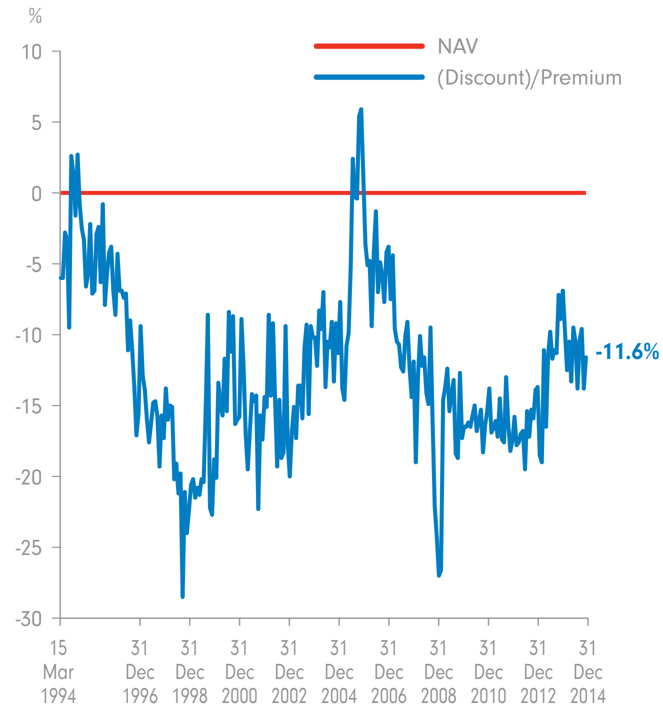
Total return performance relative to the Reference Index from launch to 31 December 2014

Prices rebased to 100
Sources: Fidelity and Datastream

NAV and share price in pence from launch to 31 December 2014

Sources: Fidelity and Datastream

Share price (discount)/premium to NAV from launch to 31 December 2014



Based on figures at month end only
Sources: Fidelity and Datastream

Board of Directors

David Robins[1]

(Chairman) (Date of appointment: 1 February 2011; appointed Chairman on 10 May 2012) is Chairman of the Asian Total Return Investment Company plc, Senior Independent Director of SVG Capital plc and a Director of NHBS Limited and Seralux Inc. Previously, he was Chairman and Chief Executive of ING Barings following 18 years with UBS, most recently as Executive Vice President Europe having spent several years in Zurich, New York and Tokyo. Prior to this he was, in succession, a Japanese Economist at the Bank of England, an Executive in the Japanese department of James Capel and then Far Eastern Economist and subsequently Chief International Economist at Philips & Drew. He began his career with the Commonwealth Bank in Sydney.

Sir Laurence Magnus[1]

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

Philip Kay[1]

(Date of appointment: 29 October 2004) is a former Managing Director and Senior Advisor of Credit Suisse First Boston where he ran the global Japanese cash equity business. He is a Director of two Japanese hedge funds, the Akamatsu Fund and the Akamatsu Bonsai Fund, a Director of Counterpoint Asian Macro Fund, and is a fellow of Wolfson College, Oxford. Previously he was a Director of Schroder Securities Limited and of Smith New Court PLC.

Simon Fraser[2]

(Date of appointment: 11 May 2000) spent 27 years at Fidelity but retired from his executive responsibilities at the end of 2008. He started his career at Fidelity in 1981 as an analyst and spent a number of years in Japan as a portfolio manager and then as Chief Investment Officer for the Asia/Pacific region. He returned to the UK in 1999 to take up the position of Chief Investment Officer for Fidelity International, a position he held until 2005. He was the Portfolio Manager for Fidelity Japanese Values PLC from its launch in 1994 until August 1997. He is Chairman of the Investor Forum, Foreign and Colonial Investment Trust plc and Merchants Trust plc. He is a non executive director of Ashmore Group plc and Fidelity European Values PLC. He is also the Honorary Vice President of the National Trust of Scotland and on the Advisory Board of Scope Ratings.

David Miller, OBE[1]

(Date of appointment: 29 October 2004; date of appointment as Senior Independent Director: 1 January 2013) is a Director of FBG Investment Limited and a number of other unquoted companies. He was with Robert Fleming Group from 1972 to 1991, was resident in Japan for nearly eight years and was Head of the Fleming group's Tokyo office.

Mami Mizutori[1]

(Date of appointment: 17 November 2014) worked for the Japanese Ministry of Foreign Affairs where her posts included Director of the Japan Information and Culture Center at the Embassy of Japan in London and Director for Financial Affairs for the Foreign Ministry of Japan in Tokyo. Ms Mizutori is Executive Director of the Sainsbury Institute for the Study of Japanese Arts and Culture and acts as a special advisor in Japanese studies to the University of East Anglia.

Dominic Ziegler[1]

(Date of appointment: 17 November 2014) currently holds the post of Asia Editor at The Economist in London. Mr Ziegler 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.

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

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2014.

The Company was incorporated in England and Wales as a public limited company on 10 February 1994 with the registered number 2885584.

MANAGEMENT COMPANY AND FEES

With effect from 17 July 2014, and as a result of the Alternative Investment Management Fund Directive, FIL Investments International ("FII") retired as investment manager, manager and secretary to the Company and was replaced by FIL Investment Services (UK) Limited ("FISL") to act as the Company's Alternative Investment Fund Manager ("the Manager"). At the same time, FISL, as the new Manager, delegated the portfolio management of assets and the role of the company secretary to FII.

The Alternative Investment Fund Management and Secretarial Services Agreement (the "Management Agreement") dated 17 July 2014 replaced that dated 22 August 2012 and continues to provide for a quarterly fee of an amount equal to 0.2125% (reduced from 0.25% on 1 January 2014) of the value of the Company's assets under management excluding investments in other funds managed by the Manager and including exposure to the investments underlying the long CFDs. Fees are payable quarterly in arrears and calculated on the last business day of March, June, September and December in each year. This equates to an annual management fee of 0.85% per annum.

The Company has also agreed to pay to the Manager a fee for secretarial and administration services, payable quarterly in arrears, at the current rate of £45,000 per annum. The notice period by either party is six months. 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 can 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 60 day's notice in writing if the Manager ceases to be a subsidiary of FIL Limited.

The Manager also provides certain other services, including marketing and administration, in connection with the Fidelity Investment Trust Share Plan and the Fidelity Individual Savings Account. Fees payable under this Agreement for the year to 31 December 2014 were £84,000 (2013: £100,000).

An amount of £338,000 (2013: £323,000) was due to the Manager under the above agreements at 31 December 2014 and is included in "Other creditors" in Note 11 on page 51.

Fidelity operates a broker segmentation policy, which allows it to concentrate on those brokers who, in its opinion, offer the best service in terms of overall execution. These brokers are Fidelity's "core" brokers. At the same time, the Manager evaluates the research provided by other brokers and uses some of them for their research. These brokers are called Secondary State Research firms ("SSRs"). As a consequence of this policy, the "core" brokers earn a larger percentage of the commission paid. These "core" brokers pay away some of this commission earned to the SSRs to compensate them for the research provided to Fidelity. Under Financial Conduct Authority regulations this type of payment from one broker to another is covered by commission sharing agreements.

Fidelity adopts a best execution policy that applies to all transactions in all instruments, regardless of the fund or account or location of the trading desk. There is a regulatory requirement on the Manager to obtain best execution and no individual deal is entered into which prevents compliance with this requirement. The Manager has an arrangement with certain brokers whereby a portion of commissions from security transactions may be paid to the Company to reduce transaction costs. Amounts received by the Company under this arrangement are credited to capital. In the year to 31 December 2014 £10,000 (2013: £18,000) was received.

Simon Fraser, a non-executive Director of the Company, was employed by FIL Limited Group until the end of December 2008.

As at the date of this report, FIL Limited has an interest in 6,184,920 (5.43%) ordinary shares in the Company on its own account.

DIRECTORS

The following Directors served during the year or since their appointment in the year:

David Robins (Chairman)
Simon Fraser
Philip Kay
Sir Laurence Magnus
David Miller
Mami Mizutori*
Dominic Ziegler*

* appointed to the Board on 17 November 2014

Details of the current Directors are set out on page 22.

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

The interests' of the current Directors in the shares of the Company as at 31 December 2013 and 31 December 2014 are in the Directors' Remuneration Report on page 37.

Directors' Report

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

REGISTRAR, CUSTODIAN AND DEPOSITARY ARRANGEMENTS

The Company employs Capita Asset Services to manage the Company's share register. Fees for registration services for the year under review amounted to £26,000 (2013: £31,000).

The Company employs JP Morgan Chase Bank as its custodian. It is primarily responsible for safeguarding the Company's assets. Fees for custodial services for the year under review amounted to £11,000 (2013: £13,000).

With effect from 17 July 2014, the Company employs J.P.Morgan Europe Limited (part of the same group of companies as JP Morgan Chase Bank) as its Depositary. It is primarily responsible for oversight of the custody of investment funds and the protection of investor's interests. Fees for depositary services for the period under review amounted to £4,000 (2013: not applicable).

SHARE CAPITAL AND SUBSCRIPTION SHARES

At 31 December 2014 the Company's issued share capital comprised of 114,002,375 ordinary shares of 25 pence each (2013: 113,954,834 ordinary shares of 25 pence each) and 22,743,320 subscription shares of 0.001 pence each (2013: none). Each ordinary share in issue carries one vote.

Each subscription share gives the holder the right, but not the obligation, to subscribe for one ordinary share at the end of each month until the end of April 2016 inclusive. Each subscription share may only be exercised once. The exercise price is 86.50 pence per share. During the year ended 31 December 2014, the rights attaching to a total of 47,541 subscription shares were exercised. As at 31 December 2014, the total number of subscription shares in issue was 22,743,320. Since the year end the rights attaching to a further 1,000 subscription shares have been exercised. The subscription shares were listed and trading commenced in these shares on 28 August 2014. The subscription shares do not carry voting rights. Details of the treatment of subscription shares for capital gains tax purposes may be found in the Shareholder Information section on page 66.

SHARE ISSUES

During the year ended 31 December 2014 a total of 47,541 (2013: 117,232,149) ordinary shares were issued following the exercise of rights attached to the subscription shares.

Other than the issue of ordinary shares following the exercise of rights attached to the subscription shares as detailed above, no shares were issued during the year.

The authority to issue shares and dis-apply pre-emption rights, granted by shareholders at the Annual General Meeting held on 14 May 2014, expires at the conclusion of this year's Annual General Meeting and therefore resolutions to renew the authority will be put to shareholders for approval at the Annual General Meeting to be held on 4 June 2015.

SHARE REPURCHASES

At the Annual General Meeting held on 14 May 2014 the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to 17,081,829 ordinary shares in the market for cancellation. No ordinary shares were repurchased for cancellation during the year (2013: 100,000). The authority expires on 4 June 2015 and a special resolution to renew the authority will therefore be put to shareholders for approval at the forthcoming Annual General Meeting.

No shares have been repurchased since the year end. The issued share capital as at 30 March 2015 was 114,003,375.

PREMIUM/DISCOUNT MANAGEMENT: ENHANCING SHAREHOLDER VALUE

The Directors recognise the importance to investors of the share price and the relationship between the Company's share price and the net asset value per share and monitor these closely. The Board seeks authority from shareholders each year to issue new shares at a premium and to repurchase shares for cancellation at a discount to the NAV. It will only use these authorities to enhance the net asset value and to protect or improve the premium/discount rating of the shares. The Board may exercise this discretion, giving due consideration to the discounts of investment trusts within the Company's peer group, the market generally and to the needs of long term shareholders for whom maintaining the Company at a sustainable size is a key consideration.

SUBSTANTIAL SHARE INTERESTS

As at 28 February 2015 notification had been received of the following interests in 3% or more of the voting rights of the Company:

Shareholders	%
FIL Limited[1]	17.77
Wells Capital Management[2]	17.21
Lazard Asset Management[2]	16.28
1607 Capital Partners, LLC[2]	11.78
Wesleyan Assurance[2]	4.16
Ecclesiastical Investment Management[3]	3.67

1 Direct holding on own account (7.21%) and Fidelity ISA/Share Plan Clients (10.56%)
2 Direct holding for clients
3 Direct holding on own account and for clients

Directors' Report

Analysis of ordinary shareholders	As at 31 December 2014 % of issued share capital
Retail Investors[1]	32.60
Mutual Funds	29.82
Pension Funds	17.24
Insurance Companies	11.34
Fidelity Proprietary Investment	7.21
Hedge Funds	0.81
Charities	0.69
Securities Companies' Trading Accounts	0.29
	100.00

[1] Includes Share Plan and ISA investors

GREENHOUSE GAS EMISSIONS

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

ANNUAL GENERAL MEETING

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

If you have sold, transferred or otherwise disposed of all your shares in the Company, please pass this document and the accompanying form of proxy to the stockbroker, bank or other agent through whom you made the sale, transfer or disposal for transmission to the purchaser or transferee, except that such documents should not be sent to any jurisdiction under any circumstances where to do so might constitute a violation of local securities laws and regulations. If you have sold or transferred or otherwise disposed of only part of your holding of shares in the Company, you should retain this document and the accompanying form of proxy and consult the stockbroker, bank or other agent through whom you made the sale, transfer or disposal.

At the Annual General Meeting on 4 June 2015, resolutions will be proposed relating to the items of business set out in the Notice of Meeting contained on pages 60 to 62, including those items of business summarised below.

These include renewing the Directors' authority to allot securities in the Company, disapply pre-emption rights and repurchase the Company's shares, as explained further below, to replace the existing powers of the Directors which expire at the conclusion of the Annual General Meeting.

Authority to allot shares

By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders.

Resolution 11 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,425,042. If passed, this resolution will enable the Directors to allot a maximum of 5,700,168 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company as at 30 March 2015 and so that the Directors may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with 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.

Authority to disapply pre-emption rights

In certain circumstances it is beneficial for the Directors to allot shares for cash otherwise than pro rata to existing shareholders and the Companies Act 2006 provides for shareholders to give such power to the Directors by disapplying their pre-emption rights.

Resolution 12 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities for cash by way of (a) rights issues, normally on a proportionate basis but where necessary taking into account practical considerations, such as fractions and foreign securities laws, and (b) other issues up to an aggregate nominal value of £1,425,042 (approximately 5% of the issued ordinary share capital of the Company as at 30 March 2015).

Authority to repurchase the Company's shares

Resolution 13 is a special resolution which renews the Company's authority to purchase up to 17,089,105 ordinary shares of 25 pence (equivalent to 14.99% of the ordinary shares in issue at 30 March 2015) for immediate cancellation. By utilising the power to repurchase ordinary shares when they are trading at a discount to NAV, the Company will increase the resulting NAV per share for remaining shareholders.

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

The full text of the resolutions is set out in the Notice of Meeting contained on pages 60 and 61.

Directors' Report

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. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement, which forms part of this Directors' Report, and can be found on pages 27 to 31.

AUDITOR'S RIGHT TO INFORMATION

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

AUDITOR'S APPOINTMENT

A resolution proposing the reappointment of Grant Thornton UK LLP will be proposed at the forthcoming Annual General Meeting, together with a resolution to authorise the Directors to determine the Auditor's remuneration.

The Company reviews the reappointment of the Auditor every year. Under new EU mandatory audit rotation rules the Company will be required to put the external audit out to tender at least every ten years.

Assuming the resolution at this year's Annual General Meeting is passed, Grant Thornton UK LLP will have served as the Company's Auditor for nine years. Therefore a tender will be undertaken before the next Annual General Meeting in 2016.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 11 to 14. The financial position of the Company, its cash flows, liquidity position and gearing are described in the Financial Statements and Notes thereto on pages 42 to 58. The Company's objectives, policies and processes for managing its capital, financial risk management objectives, details of financial instruments and its exposures to credit and liquidity risk are also set out in the Strategic Report on pages 11 to 14 and in the Notes to the Financial Statements on pages 46 to 58.

The Company's assets consist mainly of securities which are readily realisable and, where outsourcing arrangements are in place including registrar, custodian and depositary services, alternative service providers are readily available. As a consequence, the Directors believe that the Company is well placed to manage its business risks.

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

CONTINUATION VOTE

In accordance with the Articles of Association of the Company, continuation votes are held every three years. The next such vote is scheduled to take place in 2016.

By Order of the Board
FIL Investments International
Secretary
30 March 2015

Corporate Governance Statement

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

AIC CODE

The Board has considered the principles and recommendations of the Association of Investment Companies' Code of Corporate Governance (the "AIC Code"), by reference to the AIC Corporate Governance Guide (the "AIC Guide"). The AIC Code, as explained in the AIC Guide, addresses the governance issues relevant to investment companies and how boards can satisfy any applicable requirements under the UK Corporate Governance Code ("UK Code") as well as setting out additional principles and recommendations on issues that may be of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide, which incorporates the UK Code, will provide better information to shareholders. The AIC Code and AIC Guide may be found at www.theaic.co.uk.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code and associated disclosure requirements of the Listing Rules except as set out below. The UK Code includes provisions relating to:

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

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

Under the terms of the AIC Code and UK Code, Simon Fraser is considered to be a non-independent Director as he was employed by the Manager until the end of December 2008. The Board considers that he is free from any business or other relationship which might influence or interfere with his judgement in respect of his role as a Director of the Company. In addition, the Directors consider that he brings a wealth of relevant financial services experience to the Board.

THE BOARD AND ITS COMMITTEES

THE BOARD

The Board of Directors is responsible for the effective stewardship of the Company's affairs and for promoting the long term success of the Company. The Board has adopted a formal schedule of matters reserved for its decision. It has responsibility for all corporate strategic issues, corporate governance matters, capital structure (including share issues and repurchases), gearing policy, financial reporting, risk management, investment performance, share price discount management, the appointment of the Company Secretary and Board appointments. The Company's investment policy is detailed on pages 11 and 12.

The Company does not have a chief executive and day-to-day management of the Company, including the management of the investment portfolio, is delegated to the Manager. All matters which are not delegated to the Company's Manager under the Alternative Investment Fund Management and Secretarial Services Agreement are reserved for the Board's decision.

SUCCESSION PLANNING

The Board currently consists of seven Directors who, between them, have good knowledge and wide experience of business in Japan, the Asia region and of investment trusts. The Directors believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company to discharge its duties and provide effective strategic leadership and proper governance of the Company. The Board considers that lengthy service does not of itself compromise independence; indeed continuity on the Board, experience and knowledge are of positive benefit.

The Board considers that all of the Directors' are independent with the exception of Simon Fraser, who acted as the Company's Portfolio Manager from its launch in 1994 until August 1997. Mr Fraser is also a Director of another investment trust managed by Fidelity, namely Fidelity European Values PLC. As part of the planned refreshment, Mr Fraser will retire from the Board at the AGM and not seek re-election.

As noted in last year's Annual Report, the Board recognises that refreshing its membership from time to time can be beneficial. As a result, the Board was pleased to announce the appointment of two new Directors to the Board on 17 November 2014, namely Mami Mizutori and Dominic Ziegler. Full biographical details on Ms Mizutori and Mr Ziegler can be found on page 22 of this Annual Report. The elections of Ms Mizutori and Mr Ziegler will be proposed at the AGM on 4 June 2015. The Board supports their election and recommends that shareholders vote in favour of the resolutions to elect them both to the Board.

The objective of the Board refreshment process is to bring new talent to the Board but not at the cost of losing institutional and market knowledge, and fund management expertise. However, the Board has concluded that over time the Board should revert to a membership of five.

As stated above, the Board does not consider that lengthy service of itself compromises a Director's independence and it is considered that, despite having served for more than nine years, both Philip Kay and David Miller continue to be independent in character and judgement. It is considered that, in practice, all the Directors are free from any current relationship which could materially interfere with the exercise of their independent judgement and are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively.

Biographical details of the current Directors including their relevant directorships are given on page 22 of this report.

Corporate Governance Statement

	Regular Board Meetings	Nomination Committee Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
David Robins	5/5	1/1	3/3	1/1
Simon Fraser	5/5	1/1	3/3	n/a
Philip Kay	5/5	1/1	3/3	1/1
Sir Laurence Magnus	5/5	1/1	3/3	1/1
David Miller	5/5	1/1	3/3	1/1
Dominic Ziegler[1]	1/1	1/1	1/1	–
Mami Mizutori[2]	0/1	0/1	0/1	0/1

[1] appointed 17 November 2014
[2] meetings held in Japan and Ms Mizutori was not able to attend

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

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

ELECTION AND RE-ELECTION

The Directors of the Company are subject to annual election and re-election by the shareholders. As part of their deliberations, the Board conducts annual evaluations of each Director. The Board has a policy of reviewing the tenure of each Director annually and has agreed that an independent Director may serve for more than nine years, so long as that Director is considered by the Board to continue to be independent.

The names of Directors submitted for election and re-election are accompanied by sufficient biographical details on page 22 to enable shareholders to make an informed decision. The terms and letters of appointment of Directors are available for inspection at the registered office of the Company and will be available prior to the forthcoming Annual General Meeting. The Board recommends that shareholders vote in favour of the resolutions to elect and re-elect directors.

BOARD MEETINGS

The Board meets at least four times a year, including an annual meeting in Tokyo, and endeavours to provide leadership in terms of the direction of the Company. Between these meetings there is regular contact with the Manager. Other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred to them from the Board and the Chairman is in contact with the other Directors regularly without representatives of the Manager being present.

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

SENIOR INDEPENDENT DIRECTOR

The Senior Independent Director fulfils the role as a sounding board for the Chairman and as intermediary for other non-executive Directors where necessary. David Miller has served as the Senior Independent Director since 31 December 2013 and he has held this position during the year under review.

SUPPLY OF INFORMATION TO DIRECTORS

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

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

The Board has delegated certain corporate governance responsibilities to the Audit, Management Engagement and Nomination Committees, membership of which is set out on page 29. Key representatives of the Manager attend meetings by invitation, enabling Directors to probe further on matters of concern or to seek clarification if required.

CHANGES TO THE BOARD

All appointments to the Board and replacements of Directors take place in accordance with the Companies Act, the Company's Articles of Association and the AIC Code. The Nominations Committee is responsible for identifying possible candidates for consideration by the Board. Whilst the whole

Corporate Governance Statement

Board take the lead in the appointment of new Directors, any proposal for a new Director will be discussed and approved by all Board members. External consultants are also used to identify potential candidates.

TRAINING

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

PERFORMANCE EVALUATION

A formal and rigorous annual process for the evaluation of the Board, its Committees and its Directors is in place. This takes the form of written questionnaires and, if appropriate, interviews. The performance of the Chairman is evaluated by the other Directors on an annual basis. The Company Secretary and Portfolio Manager also participate in these processes to provide all-round feedback to the Board. The results of these evaluations are issued to and discussed by the Board. The process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and action is taken on the basis of the results.

DIRECTORS' REMUNERATION

The level of Directors' fees is determined by the whole Board and therefore a separate Remuneration Committee has not been appointed. Full details of the Company's Remuneration Policy and Directors' fees are disclosed in the Directors' Remuneration Report on pages 34 and 35.

COMPANY SECRETARY

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

BOARD COMMITTEES

The Board has established three committees, as set out below. Terms of reference for each committee are available on the Company's pages of the Manager's website (www.fidelity.co.uk/its).

The Audit Committee

The Audit Committee consists of all of the independent Directors and is chaired by Sir Laurence Magnus. Full details of the Company's Audit Committee are disclosed in the Report of the Audit Committee on pages 32 and 33.

The Nominations Committee

The Committee consists of all of the Directors (as there is no reason to exclude any Director) and is chaired by David Robins. The Committee is charged with nominating new Directors for consideration by the Board, and subsequent approval by shareholders. It believes that the best way of ensuring that the Board as a whole and each Director individually carry out their duties in an independent manner, irrespective of the interests of the Manager, is to ensure that the search for, the interview of and recommendation to the Board of a candidate is entirely controlled by this Committee. As part of this process external consultants, namely Trust Associates, were used to identify potential candidates as was the case last year. The Nomination Committee also considers the re-election of Directors who are retiring by rotation.

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

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

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

The Management Engagement Committee

The Committee consists of all of the independent Directors and is chaired by David Robins. The Committee is charged with reviewing and monitoring the performance of the Manager in respect of its contract and the fees it is paid. This Committee meets at least once a year and reports to the Board of Directors, making recommendations where appropriate.

The Committee is responsible for reviewing the performance of the Manager and the terms of the Management Agreement to

Corporate Governance Statement

ensure that it is competitive and in the interests of shareholders; and making recommendations to the Board concerning any proposed amendment to the terms of the Management Agreement.

In reviewing the performance of the Manager the Committee considers a range of factors including:

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

The Committee met and reviewed the performance of the Manager for the year to 31 December 2014. Having reviewed the criteria set out above, the Committee concluded that it was in the interests of shareholders as a whole that the appointment of the Manager should continue.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

Set out on page 38 is a statement by the Directors of their responsibilities in respect of the Annual Report and Financial Statements. The Auditor has set out its reporting responsibilities within the Independent Auditor's Report on pages 39 to 41.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

By means of the procedures set out above and in accordance with the Financial Reporting Council's "Internal Control: Revised Guidance for Directors", the Directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and have reviewed the effectiveness of the risk management and internal control systems throughout the year ended 31 December 2014. This process continued to be in place up to the date of the approval of these Financial Statements and is expected to remain in place for the coming year.

WHISTLE-BLOWING PROCEDURE

Part of the Manager's role in ensuring the provision of a good service pursuant to the Management Agreement includes the ability for employees of Fidelity to raise concerns through a workplace concerns escalation policy (or "whistle-blowing procedure"). The Board has received assurances from the Manager 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 and in setting standards of ethical conduct. This policy has been endorsed accordingly by the Board.

Corporate Governance Statement

BRIBERY ACT 2010

The provision of bribes of any nature to third parties in order to gain a commercial advantage is prohibited and is a criminal offence. The Board has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. The Board acknowledges its responsibility for the oversight of the Manager who, in turn, provides an annual assurance statement to the Board that appropriate procedures for preventing bribery are in place as well as a governance framework for training, communication, monitoring, reporting and escalation of compliance together with enforcing action as appropriate. The Board, the Investment Manager, the Manager's employees and others acting on the Company's behalf, are expected to demonstrate high standards of behaviour when conducting business.

RESPONSIBILITY AS AN INSTITUTIONAL SHAREHOLDER

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

RELATIONS WITH SHAREHOLDERS

The Chairman is responsible for ensuring that all Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and other Directors have meetings with major shareholders to discuss strategy and governance. The Board regularly monitors the shareholder profile of the Company and liaises with the Manager and the Company's broker to canvass shareholder opinion and communicate its views to shareholders. The Board aims to provide the maximum opportunity for dialogue between the Company and shareholders.

It believes that the Company's institutional shareholders have proper access to the Manager at any time and to the Board if they so wish. If any shareholder wishes to contact a member of the Board directly they should contact the Company Secretary whose details are given on page 66. All shareholders, particularly individual shareholders, are encouraged to attend the Annual General Meeting at which there is always a presentation by the Portfolio Manager of the past year's results and the forthcoming year's prospects, followed by the opportunity to meet representatives of the Manager and the Board.

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

ANNUAL GENERAL MEETING

The Notice of Meeting on pages 60 to 62 sets out the business of the Annual General Meeting. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Chairman of the Board, the Chairman of the Audit Committee, as well as the other Board members will be available to answer questions at the Annual General Meeting. The Notice of the Annual General Meeting and related papers are sent to shareholders at least twenty working days before the meeting.

On behalf of the Board

David Robins
Chairman
30 March 2015

Report of the Audit Committee

The primary responsibilities of the Audit Committee (the "Committee") are to ensure the integrity of the Company's financial reporting, the appropriateness of the risk management processes and internal controls and the effectiveness of the external audit process. This report details how this has been assessed for the year ended 31 December 2014.

COMPOSITION

The Committee consists of all of the Directors because the Board feels that it is important to have all Directors represented due to their skill and experience. The Committee considers that, collectively, its members have sufficient recent and relevant financial experience to discharge their responsibilities.

ROLE AND RESPONSIBILITIES

The Committee's authority and duties are clearly defined in its terms of reference which are available on the Company's pages of the Manager's website (www.fidelity.co.uk/its). These duties include:

- Discussing with the Independent Auditor the nature and scope of the audit and reviewing the Independent Auditor's quality control procedures, reviewing and monitoring the effectiveness of the audit process and the Independent Auditor's independence and objectivity with particular regard to the provision of non-audit services, taking into consideration relevant UK professional and regulatory requirements and by seeking appropriate disclosures and comfort from the Independent Auditor;
- Reviewing the provision of non-audit services which is subject to prior Board approval. No work other than audit was carried out by the Independent Auditor during the year;
- Responsibility for making recommendations on the appointment, reappointment and removal of the Independent Auditor;
- Considering the scope of work undertaken by the Manager's internal audit department; reviewing the Company's procedures for detecting fraud; and reviewing the effectiveness of the internal control system (including financial, operational and compliance controls and risk management);
- Monitoring the integrity of the financial statements of the Company and reviewing the half-yearly and annual financial statements of the Company prior to their submission to the Board for approval to ensure they are fair, balanced and understandable;
- Reviewing corporate governance issues, the existence and performance of all controls operating in the Company (including the adherence to Sections 1158 and 1159 Corporation Tax Act 2010 status); and
- Reviewing the relationship with and the performance of third party service providers (such as the Registrar, Custodian and Depositary) and the risks associated with audit firms withdrawing from the market which is considered in the Committee's risk evaluation and planning.

MEETINGS AND BUSINESS

The Committee met three times during the reporting year and once with the Independent Auditor. Attendance by each Director is shown in the table on page 28.

The following matters were dealt with at these meetings:

March 2014	• Review of the Company's risk management and internal control framework • Review of compliance with Corporate Governance and regulatory requirements • Review of the Going Concern statement • Review of the Annual Report and Financial Statements and recommendation of their approval to the Board • Review of the Independent Auditor's findings, performance and independence, including a private meeting with the Auditor
July 2014	• Review of the Company's risk management and internal control framework • Review of the Half-Yearly Report and recommendation of its approval to the Board • Review of the Committee's Terms of Reference
November 2014	• Review of the Independent Auditor's engagement letter and audit plan for the Company's year ending 31 December 2014

Report of the Audit Committee

ANNUAL REPORT AND FINANCIAL STATEMENTS

The Annual Report and Financial Statements are the responsibility of the Board and the Directors' Responsibility Statement is on page 38. The Audit Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise and on any specific areas which require judgement.

During the year the Committee considered certain significant issues in relation to the Annual Report and Financial Statements. These are set out in the table below, including how they were addressed.

Recognition of Investment Income	Investment income is recognised in accordance with accounting policy Note 1(b) on page 46. The Committee reviewed the internal audit and compliance monitoring reports received from the Manager to satisfy itself that adequate systems were in place for properly recording the Company's investment income. Investment income was also tested and reported on by the Company's Independent Auditor.
Going Concern	The Going Concern statement is set out in the Directors' Report on page 26. The Committee is satisfied that the Board continues to adopt the going concern basis of accounting in preparing the annual financial statements.
Valuation, existence and ownership of investments (including derivatives)	The valuation of investments (including derivatives) is in accordance with accounting policy Notes 1(g) and 1(h) on pages 46 and 47. The Audit Committee satisfied itself that the Company's Independent Auditor has verified the valuation of investments and derivatives by reference to independent sources and has also confirmed the existence and ownership of the investments with the Company's Custodian and that of the derivatives with the Company's counterparty.
Compliance with Sections 1158 and 1159 of the Corporation Tax Act 2010	The Company carries on business as an investment trust and has been granted approval as such by HM Revenue & Customs under Sections 1158 and 1159 of the Corporation Tax Act 2010. The Committee reviews the Company's ongoing compliance with the requirements for investment trust status on a regular basis with the help and guidance of the Company's service providers and advisors.
Principal Risks and Uncertainties	The Audit Committee reviews the principal risks and uncertainties facing the Company and evaluates them according to the likelihood of the risk occurring and the impact the risk may have on the Company. Further details can be found on pages 12 and 13.

APPOINTMENT OF THE INDEPENDENT AUDITOR

Grant Thornton UK LLP acts as the Company's Independent Auditor. The Committee reviewed the independence of the Auditor and the effectiveness of the audit process prior to recommendation to the Board of a resolution proposing Grant Thornton's reappointment at the forthcoming Annual General Meeting.

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

- the personnel involved with implementing the audit plan for the year;
- the Auditor's arrangements for any conflicts of interest;
- the extent of any non-audit services; and
- the statement by the Auditor that they remain independent within the meaning of the regulations and their professional standards.

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

- fulfilment by the Independent Auditor of the agreed audit plan;
- the audit findings report issued by the Independent Auditor in relation to the audit of the Annual Report and Financial Statements for the year ended 31 December 2014; and
- feedback from the Manager.

The last review of alternative audit service providers took place in 2006, resulting in a change of audit firm. The Auditor's continued appointment is reviewed each year. The Company's audit partner cannot act for more than 5 years. Julian Bartlett became the Company's audit partner from the year ended 31 December 2011. There are no contractual obligations that restrict the Committee's choice of Independent Auditor.

Sir Laurence Magnus
Chairman of the Audit Committee
30 March 2015

Directors' Remuneration Report

CHAIRMAN'S STATEMENT

The Directors' Remuneration Report for the year ended 31 December 2014 has been prepared in accordance with Section 421 of the Companies Act 2006, The Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 and The Enterprise & Regulatory Reform Act 2013. An ordinary resolution to approve the Directors' Remuneration Report will be put to shareholders for their consideration at the Annual General Meeting to be held on 4 June 2015. The Company's Independent 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 Independent Auditor's opinion is included in its report on pages 39 to 41.

The Board, due to its size and the fact that it is an investment trust and has no employees, does not consider it necessary to have a separate Remuneration Committee. Instead the entire Board carry out the function of a Remuneration Committee under my Chairmanship. As the Board is comprised entirely of non-executive Directors and has no employees, many parts of the Large & Medium Sized Companies & Groups (Accounts and Reports) (Amendment) Regulations 2013, in particular those relating to Chief Executive Officer pay and employee pay, do not apply and are therefore not discussed in this report.

DIRECTORS' REMUNERATION

During the year ended 31 December 2014 the Board's fees were paid at the following rates: Chairman: £30,000; Chairman of the Audit Committee: £23,000; and Directors: £20,000. There has been no increase in these fees since the year end.

The level of fees paid to the Directors was last reviewed on 18 March 2014 and no increase in fees was proposed. The level of fees has remained unchanged since 13 March 2013 and prior to that date fees were payable at the following rates: Chairman: £31,000; Chairman of the Audit Committee: £20,000; and Directors: £20,000. The reviews undertaken in 2013 and 2014 were based on information provided by the Company's Manager, Fidelity, and research from third parties and reference was made to the fees of other similar investment trusts. The Board has not employed remuneration consultants for the year under review.

THE REMUNERATION POLICY

The Remuneration Policy was approved at the Annual General Meeting held on 14 May 2014. It is subject to a binding vote, in the form of an ordinary resolution, at every third Annual General Meeting and the next vote will be put to shareholders in 2017. 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 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 level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil, the time committed to the Company's affairs and the responsibilities and potential liabilities, both financial and reputational. Other than fees, the Directors are not eligible for any performance related pension related benefits, share options, long term incentive schemes or other non-cash benefits or taxable expenses. No other payments are made to Directors other than reasonable out of pocket expenses which have been incurred as a result of attending to the affairs of the Company. 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. Levels of fees are considered in terms of their competitiveness and whether they are sufficient to attract and retain the standard of Directors needed to manage the Company successfully. The Board review the Company's Remuneration Policy and the remuneration of the Board as a whole on an annual basis. Reviews are based on information provided by the Company's Manager, Fidelity 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 Annual General Meetings and can be obtained from the Company's registered office.

In common with most investment trusts, the Company does not have a Chief Executive Officer or 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.

The policy has been followed throughout the year under review and was formalised for the first time at the Company's Annual General Meeting held on 14 May 2014 and was effective from that date.

REPORT ON THE IMPLEMENTATION OF THE REMUNERATION POLICY

This refers to the way in which the Remuneration Policy has been implemented during the year ended 31 December 2014. The Directors' Remuneration Report will be put to shareholders by way of an ordinary resolution at each Annual General Meeting.

Directors' Remuneration Report

This is a non-binding 'advisory' resolution. In the event that shareholders vote against the resolution, the Board will be required to put its Remuneration Policy for shareholder approval at the next Annual General Meeting, regardless of whether the Remuneration Policy was approved by shareholders within the last three years.

Voting at the Company's last Annual General Meeting

At the Annual General Meeting held on 14 May 2014 99.82% of votes were cast in favour (or granted discretion to the Chairman of the meeting who cast them in favour) of the Directors' Remuneration Report for the year ended 31 December 2013, 0.10% of votes were cast against and 0.08% of votes were withheld. The Company's Remuneration Policy was approved by shareholders, with 99.91% of the votes cast in favour, 0.07% against and 0.02% withheld.

Single Total Figure of Remuneration

The single total aggregate Directors' remuneration for the year under review was £118,000 (2013: £113,000). Information on individual Directors' fees is shown below.

REMUNERATION OF DIRECTORS	Projected 2015 Fees (£)	Audited 2014 Fees (£)	Audited 2013 Fees (£)
David Robins	30,000	30,000	30,000
Simon Fraser[1]	8,500	20,000	20,000
Philip Kay	20,000	20,000	20,000
Sir Laurence Magnus	23,000	23,000	23,000
David Miller	20,000	20,000	20,000
Dominic Ziegler[2]	20,000	2,500	nil
Mami Mizutori[2]	20,000	2,500	nil
Total	**141,500**	**118,000**	**113,000**

1 Retiring as a Director on 4 June 2015
2 Appointed as a Director with effect from 17 November 2014

Directors' fees are paid monthly in arrears. Directors do not have a notice period to serve if their appointment were to be terminated.

Directors' Remuneration Report

Expenditure on Remuneration and Distributions to Shareholders

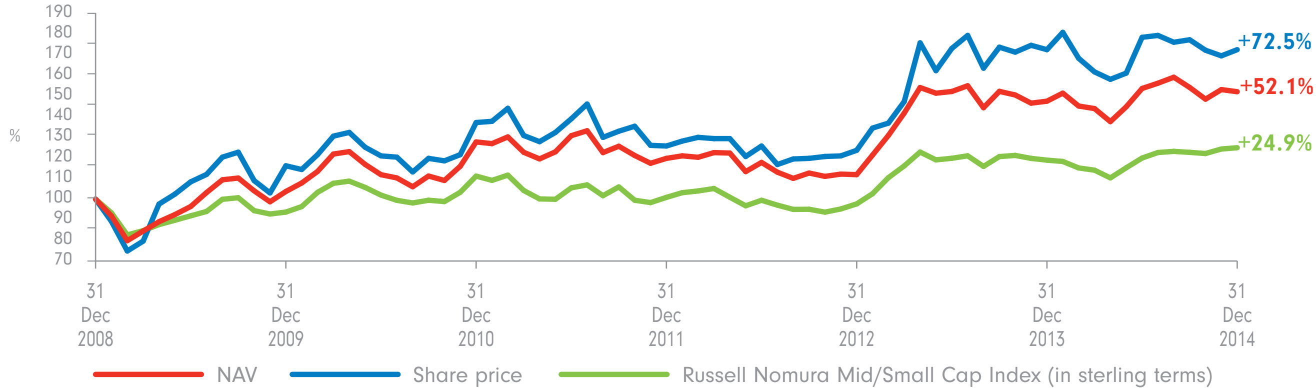
The table below shows the total amount paid out in remuneration and distribution to shareholders for the financial years to 31 December 2013 and 31 December 2014.

	31 December 2014 £	31 December 2013 £
Expenditure on Remuneration:		
– Aggregate Directors' Fees	118,000	113,000
Distribution to Shareholders:		
– Dividend payments	nil	nil
– Shares repurchased	nil	59,000

Performance

The Company's investment objective is to achieve long term capital growth from an actively managed portfolio of securities primarily of small and medium sized Japanese companies listed or traded on Japanese stockmarkets. The Company's performance is measured against the Russell Nomura Mid/Small Cap Index (in sterling terms) as this is the most appropriate in respect of its asset allocation. The following graph shows performance over six years to 31 December 2014.

Performance from 1 January 2009 to 31 December 2014 (on a total return basis)



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

Directors' Remuneration Report

Directors' Interest in Shares

There is no requirement for the Directors to hold shares in the Company, but the ownership of shares by Directors is encouraged. The Directors holdings in the shares of the Company are shown below:

Directors' Shareholdings (audited)

Ordinary Shares Director	31 December 2014	31 December 2013	Change during year
David Robins	10,000	10,000	nil
Simon Fraser[1]	18,000	18,000	nil
Philip Kay	12,183	12,183	nil
Sir Laurence Magnus	40,000	40,000	nil
David Miller	20,000	20,000	nil
Mami Mizutori[2]	nil	n/a	nil
Dominic Ziegler[2]	nil	n/a	nil

All Holdings beneficial

[1] At 31 December 2013 included an interest in 20,000 ordinary shares as a shareholder of Triptych SA
[2] Appointed on 17 November 2014

Subscription Shares Director	31 December 2014	31 December 2013	Change during year
David Robins	2,000	nil	2,000
Simon Fraser	3,600	nil	3,600
Philip Kay	2,436	nil	2,436
Sir Laurence Magnus	8,000	nil	8,000
David Miller	4,000	nil	4,000
Mami Mizutori[1]	nil	n/a	nil
Dominic Ziegler[1]	nil	n/a	nil

[1] Appointed on 17 November 2014

There have been no changes in the Directors' interests in shares since the year end.

On behalf of the Board

David Robins
Chairman
30 March 2015

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.

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

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

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

The Directors are responsible for ensuring that adequate accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that its 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 responsibility for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website www.fidelity.co.uk/its. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their own jurisdictions.

We confirm that to the best of our knowledge the Financial Statements, prepared in accordance with United Kingdom Generally Accepted Accounting Principles, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and the Strategic Report and Directors' Report include 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. We confirm that we consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approved by the Board on 30 March 2015 and signed on its behalf.

David Robins
Chairman
30 March 2015

Independent Auditor's Report to the Members of Fidelity Japanese Values PLC

Our opinion on the Financial Statements is unmodified

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its net return for the year then ended;
- have been properly prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Fidelity Japanese Values PLC's Financial Statements comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related Notes.

The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice.

Our assessment of risk

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit.

Ownership and valuation of investments and long contracts for differences ("CFDs")

The risk: The Company's business is investing primarily in securities of small and medium sized Japanese companies listed or traded on Japanese stock markets with a view to achieving long term capital growth. As a consequence of this, the Company has significant exposure to investments and long CFDs, which are the main drivers of returns, with the investment portfolio valued at £82m and the CFDs having a market exposure of £31m. There is a risk that investments and CFDs shown in the Balance Sheet may not be owned by the Company or are incorrectly valued. We identified ownership and valuation of investments and CFDs as risks that required particular audit attention.

Our response on ownership: In order to confirm that the balances referred to above were owned by the Company our audit work included, but was not restricted to, understanding management's process to safeguard assets; obtaining and reading a report prepared on the design and operation of controls at the Custodian; obtaining a confirmation from the custodian of the investments they were holding at the year-end and for the CFDs obtaining a confirmation from the counterparty of open CFD contracts at the year-end; and testing the reconciliation of both the Custodian and counterparty statements to the records maintained by the Company.

Our response on valuation: Our audit work on valuation included, but was not restricted to, understanding management's process to value quoted investments and CFDs; obtaining a confirmation from the counterparty to the CFDs of the terms of the contracts entered into; agreeing the valuation of 100% of the quoted investments to an independent source of market prices; testing the valuation of CFDs by agreeing the contract price to the confirmation from the counterparty and the year-end market price of the underlying quoted investments to an independent source of market prices; and in order to confirm investments are actively traded we obtained trading volumes of listed investments held at the year-end.

The Company's accounting policy on the valuation of investments and CFDs are shown in Note 1, its disclosures about investment movements are included in [Note 8] and its disclosures on CFDs are included in [Note 9].

Completeness and occurrence of investment income

The risk: The Company measures performance on a total return basis that includes revenue and investment income is one of the largest numbers in the Income Statement. We identified the recognition of investment income as a risk that required particular audit attention.

Our response: Our audit work included, but was not restricted to, assessing whether the Company's accounting policy for revenue recognition was in accordance with United Kingdom Generally Accepted Accounting Practice; obtaining an understanding of the Company's process for recognising revenue in accordance with the stated accounting policy; testing whether a sample of income transactions had been recognised in accordance with the policy; for a sample of investments held in the year, obtaining the ex-dividend dates and rates for dividends declared during the year from an independent source and agreeing the expected dividend entitlements to those recognised in the general ledger; performing cut-off testing of dividend income around the year-end; and checking the categorisation of special dividends as either revenue or capital receipts.

The Company's accounting policy on the recognition of investment income is shown in Note 1 and the components of that income are included in Note 2.

Calculation of the investment management fee

The risk: The Company receives from the Manager, management, accounting, administrative and secretarial services pursuant to a revised management agreement dated 17 July 2014. The agreement provides for the payment of an investment management fee. We identified a risk of calculation error in the investment management fee and that this required particular audit attention.

Our response: In order to assess the accuracy of the investment management fee, we recalculated the expected management fee based on the terms of the management agreement and compared this to the amounts recognised in the Income Statement.

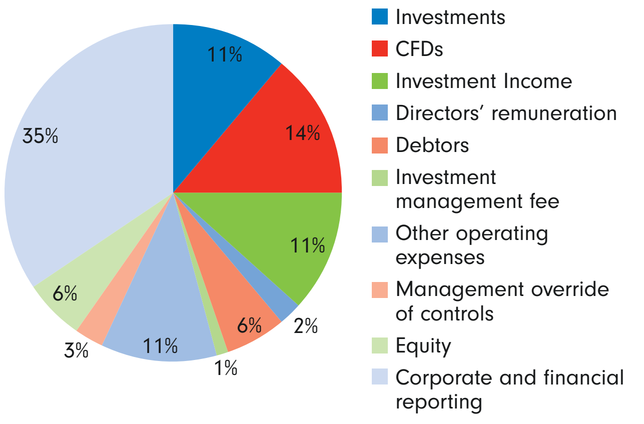
The Company's disclosure of the investment management fee is shown in Note 3.

Independent Auditor's Report to the Members of Fidelity Japanese Values PLC

Allocation of audit testing time

The chart below identifies the allocation of time in our audit testing of the main parts of the Financial Statements.

Where we focused our audit effort



Our application of materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We determined materiality for the audit of the Financial Statements as a whole to be £929,000, which is 1% of the Company's net assets. This benchmark is considered most appropriate because net assets, which is primarily composed of the Company's investment portfolio, is considered to be the key driver of the Company's total return performance. We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality. We also determine a lower level of specific materiality for certain areas of the Income Statement including Directors' remuneration and related party transactions.

We determined a threshold at which we communicate misstatements to the Audit Committee of £46,000, while also communicating misstatements below that threshold that warrant reporting on qualitative grounds.

Overview of the scope of our audit

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the Financial Statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

Our audit approach was based on a thorough understanding of the Company's business and is risk-based.

The day-to-day management of the Company's investment portfolio, the maintenance of accounting records, custody of investments and administrative and Company secretarial services are outsourced to third-party service providers. Accordingly, our audit work included obtaining an understanding of, and evaluating, relevant internal controls at both the Company and third-party service providers. This included obtaining and reading internal controls reports from the Manager and Custodian. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment and the design and implementation of controls and the management of specific risks.

Other reporting required by regulations

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to report to you if:

- we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable; or
- the Annual Report does not appropriately disclose those matters that were communicated to the Audit Committee which we consider should have been disclosed.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

Independent Auditor's Report to the Members of Fidelity Japanese Values PLC

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 26, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

Responsibilities for the financial statements and the audit

What an audit of financial statements involves:
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

What the Directors are responsible for:
As explained more fully in the Statement of Directors' Responsibilities set out on page 38, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

What we are responsible for:
Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Who we are reporting to:
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.

Julian Bartlett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
31 March 2015

Income Statement for the year ended 31 December 2014

	Notes	2014 revenue £'000	2014 capital £'000	2014 total £'000	2013 revenue £'000	2013 capital £'000	2013 total £'000
Gains on investments designated at fair value through profit or loss	8	–	1,053	1,053	–	13,932	13,932
Gains on derivative instruments held at fair value through profit or loss	9	–	2,848	2,848	–	9,665	9,665
Income	2	1,366	–	1,366	1,440	–	1,440
Investment management fee	3	(954)	–	(954)	(1,076)	–	(1,076)
Other expenses	4	(711)	–	(711)	(479)	–	(479)
Exchange losses on other net assets		(26)	(589)	(615)	(59)	(654)	(713)
Net (loss)/return before finance costs and taxation		(325)	3,312	2,987	(174)	22,943	22,769
Finance costs	5	(77)	–	(77)	(73)	–	(73)
Net (loss)/return on ordinary activities before taxation		(402)	3,312	2,910	(247)	22,943	22,696
Taxation on (loss)/return on ordinary activities	6	(107)	–	(107)	(84)	–	(84)
Net (loss)/return on ordinary activities after taxation for the year		(509)	3,312	2,803	(331)	22,943	22,612
(Loss)/return per ordinary share – undiluted and diluted	7	(0.45p)	2.91p	2.46p	(0.30p)	20.64p	20.34p

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

The Notes on pages 46 to 58 form an integral part of these Financial Statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2014

	Note	share capital £'000	share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Opening shareholders' funds as at 1 January 2013		25,068	703	2,596	57,627	(14,489)	(13,471)	58,034
Issue of ordinary shares on exercise of rights attached to subscription shares	12	4,308	5,147	–	–	–	–	9,455
Exercise of rights attached to subscription shares and conversion into ordinary shares	12	(862)	862	–	–	–	–	–
Repurchase of ordinary shares	12	(25)	–	25	(59)	–	–	(59)
Net return/(loss) on ordinary activities after taxation for the year		–	–	–	–	22,943	(331)	22,612
Closing shareholders' funds as at 31 December 2013		28,489	6,712	2,621	57,568	8,454	(13,802)	90,042
Issue of ordinary shares on exercise of rights attached to subscription shares	12	12	29	–	–	–	–	41
Net return/(loss) on ordinary activities after taxation for the year		–	–	–	–	3,312	(509)	2,803
Closing shareholders' funds as at 31 December 2014		28,501	6,741	2,621	57,568	11,766	(14,311)	92,886

The Notes on pages 46 to 58 form an integral part of these Financial Statements.

Balance Sheet as at 31 December 2014

Company number 2885584

	Notes	2014 £'000	2013 £'000
Fixed assets			
Investments designated at fair value through profit or loss	8	82,486	84,031
Current assets			
Derivative assets held at fair value through profit or loss	9	7,296	6,263
Debtors	10	930	309
Cash at bank		3,176	662
		11,402	7,234
Creditors			
Derivative liabilities held at fair value through profit or loss	9	(139)	(421)
Creditors	11	(863)	(802)
		(1,002)	(1,223)
Net current assets		10,400	6,011
Total net assets		92,886	90,042
Capital and reserves			
Share capital	12	28,501	28,489
Share premium account	13	6,741	6,712
Capital redemption reserve	13	2,621	2,621
Other reserve	13	57,568	57,568
Capital reserve	13	11,766	8,454
Revenue reserve	13	(14,311)	(13,802)
Total equity shareholders' funds		92,886	90,042
Net asset value per ordinary share	14	81.48p	79.02p

The Financial Statements on pages 42 to 58 were approved by the Board of Directors on 30 March 2015 and were signed on its behalf by:

David Robins
Chairman

The Notes on pages 46 to 58 form an integral part of these Financial Statements.

Cash Flow Statement for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Operating activities			
Investment income received		943	979
CFD dividends received		221	278
Investment management fee paid		(969)	(992)
Directors' fees paid		(116)	(82)
Other cash payments		(878)	(272)
Net cash outflow from operating activities	15	(799)	(89)
Finance costs			
Interest paid on long CFDs		(70)	(73)
Net cash outflow from finance costs		(70)	(73)
Financial investments			
Purchase of investments		(64,074)	(98,848)
Disposal of investments		66,473	84,792
Net cash inflow/(outflow) from financial investments		2,399	(14,056)
Derivative activities			
Proceeds of long CFD positions closed		1,533	5,463
Net cash inflow from derivative instruments		1,533	5,463
Net cash inflow/(outflow) before financing		3,063	(8,755)
Financing			
Exercise of rights attached to subscription shares		40	9,456
Repurchase of ordinary shares		–	(59)
Net cash inflow from financing		40	9,397
Increase in cash	16	3,103	642

The Notes on pages 46 to 58 form an integral part of these Financial Statements.

Notes to the Financial Statements

1 ACCOUNTING POLICIES

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

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

b) Income – Income from equity investments is credited to the Income Statement on the date on which the right to receive the payment is established. Overseas dividend income includes withholding tax deducted at source. Interest receivable on short term deposits is dealt with on an accruals basis. Where the Company has elected to receive its dividends in the form of additional shares rather than in 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 foregone is recognised in the capital column of the Income Statement. Derivative income from dividends on long Contracts For Difference ("CFDs") is credited to the revenue column of the Income Statement on the date on which the right to receive the payment is established.

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

d) Expenses – All expenses are accounted for on an accruals basis and are charged in full to the revenue column of the Income Statement.

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

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

g) Valuation of investments – The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided on that basis to the Company's Board of Directors. Accordingly, investments are designated by the Company as "at fair value through profit or loss", which is initially taken to be their cost and is subsequently measured as follows:

- Investments listed overseas are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed, otherwise at fair value based on published price quotations.

In accordance with the AIC SORP, the Company includes transaction costs, incidental to the purchase or sale of investments, within gains and losses on investments and has disclosed them in Note 8 on page 50.

Notes to the Financial Statements

1 ACCOUNTING POLICIES continued

h) Derivative instruments – Some of the Company's exposure to Japanese equities is through the use of long CFDs. The gearing level is monitored and reviewed by the Board on an ongoing basis. CFDs are measured at fair value which is the difference between the settlement price of the contract and the fair value of the underlying shares in the contract, which is calculated in accordance with policy 1(g). Gains and losses in the fair value of the CFDs are included in the 'Gains on derivative instruments held at fair value through profit or loss' in the capital column of the Income Statement. Interest paid on the long CFDs is included in 'Finance costs' in the revenue column of the Income Statement.

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

- Gains and losses on the disposal of investments and derivative instruments;
- Changes in the fair value of the 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; and
- Costs of repurchasing ordinary shares.

As a result of technical guidance by the Institute of Chartered Accountants in England and Wales in TECH 02/10: Distributable Profits, 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 Reconciliation of Movements in Shareholders' funds and the Balance Sheet. At the Balance Sheet date all investments held by the Company were listed on a recognised stock exchange, except the CFD positions, but all were considered to be readily convertible to cash.

2 INCOME

	2014 £'000	2013 £'000
Income from investments designated at fair value through profit or loss		
Overseas dividends	1,071	1,138
Income from derivative instruments held at fair value through profit or loss		
Dividends on long CFDs	295	302
Total income	1,366	1,440

3 INVESTMENT MANAGEMENT FEE

	2014 £'000	2013 £'000
Investment management fee	954	1,076

FIL Investment Services (UK) Limited (a Fidelity group company) is the Company's Alternative Investment Fund Manager and has delegated the portfolio management to FIL Investments International, who previously acted as the Company's Manager. With effect from 1 January 2014 the investment management fee was reduced from 1.00% to 0.85% per annum, based on assets under management. Further details of the services provided and fees paid are given in the Directors' Report on page 23.

Notes to the Financial Statements

4 OTHER EXPENSES

	2014 £'000	2013 £'000
AIC fees	6	6
Custody fees	11	13
Depositary fees	4	–
Directors' expenses	38	40
Directors' fees[1]	118	113
Legal and professional fees[2]	103	45
Marketing expenses	84	100
Printing and publication expenses	48	54
Registrars' fees	26	31
Subscription share issue costs	193	–
Fees payable to the Company's Independent Auditor for the audit of the annual financial statements	23	23
Other expenses	57	54
	711	479

[1] Details of the breakdown of Directors' fees are provided in the Directors' Remuneration Report on page 35

[2] The significant increase in costs is as a result of professional fees incurred in relation to the implementation of AIFMD. These fees represent a one-off cost

5 FINANCE COSTS

	2014 £'000	2013 £'000
Interest paid on long CFDs	77	73

Notes to the Financial Statements

	2014 revenue £'000	2014 capital £'000	2014 total £'000	2013 revenue £'000	2013 capital £'000	2013 total £'000
6 TAXATION ON RETURN ON ORDINARY ACTIVITIES						
a) Analysis of taxation charge for the year						
Overseas taxation suffered (Note 6b)	107	–	107	84	–	84

b) Factors affecting the taxation charge for the year
The taxation assessed for the year is lower than the standard rate of UK corporation tax for an investment trust company of 21.49% (2013: 23.25%).

The differences are explained below.

	2014 revenue £'000	2014 capital £'000	2014 total £'000	2013 revenue £'000	2013 capital £'000	2013 total £'000
Net (loss)/return on ordinary activities before taxation	(402)	3,312	2,910	(247)	22,943	22,696
Net (loss)/return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 21.49% (2013: 23.25%)	(86)	712	626	(57)	5,334	5,277
Effects of:						
Gains on investments not taxable[1]	–	(712)	(712)	–	(5,334)	(5,334)
Income not included for taxation purposes	(230)	–	(230)	(265)	–	(265)
Increase in excess expenses for the year	316	–	316	322	–	322
Overseas taxation	107	–	107	84	–	84
Current taxation charge for the year (Note 6a)	107	–	107	84	–	84

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

c) The Company has unrelieved excess tax losses of £18,578,000 (2013: £17,108,000). It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised.

	2014 revenue	2014 capital	2014 total	2013 revenue	2013 capital	2013 total
7 (LOSS)/RETURN PER ORDINARY SHARE – UNDILUTED AND DILUTED						
Net (loss)/return per ordinary share – pence	(0.45)	2.91	2.46	(0.30p)	20.64p	20.34p
Net (loss)/return on ordinary activities after taxation for the year – £'000	(509)	3,312	2,803	(331)	22,943	22,612

The (loss)/return per ordinary share is based on 113,966,379 ordinary shares (2013: 111,140,691) being the weighted average number of ordinary shares in issue. There are no diluted (losses)/returns for the year because the average ordinary share price was below the exercise price of the subscription shares in issue. There were no diluted (losses)/returns in 2013 because the average ordinary share price, in the period prior to the final exercise date, was below the exercise price of the subscription shares in issue.

Notes to the Financial Statements

	2014 £'000	2013 £'000
8 INVESTMENTS		
Investments designated at fair value through profit or loss		
Listed overseas investments	82,486	84,031
Opening fair value of investments		
Opening book cost	80,293	56,032
Opening investment holding gains	3,738	(945)
	84,031	55,087
Movements in the year		
Purchases at cost	64,119	97,539
Sales – proceeds	(66,717)	(82,527)
Sales – (losses)/gains in the year	(1,731)	9,249
Movement in investment holding gains in the year	2,784	4,683
Closing fair value of investments	82,486	84,031
Closing book cost	75,964	80,293
Closing investment holding gains	6,522	3,738
Closing fair value of investments	82,486	84,031
Gains on investments designated at fair value through profit or loss – for the year		
(Losses)/gains on sales of investments	(1,731)	9,249
Investment holding gains	2,784	4,683
	1,053	13,932
Gains on investments in the year are shown net of investment transaction costs incurred		
Purchases	61	101
Sales	52	79
	113	180

The portfolio turnover rate for the year was 56.7% (2013: 86.3%).

Notes to the Financial Statements

9 DERIVATIVE INSTRUMENTS

	2014 fair value £'000	2014 portfolio exposure £'000	2013 fair value £'000	2013 portfolio exposure £'000
Derivative instruments held at fair value through profit or loss				
Long CFDs – assets	7,296	28,109	6,263	18,150
Long CFDs – liabilities	(139)	2,954	(421)	2,968
	7,157	31,063	5,842	21,118

	2014 £'000	2013 £'000
Gains on derivative instruments held at fair value through profit or loss – for the year		
Gains on long CFD positions closed	1,533	5,463
Movement in investment holding gains on long CFDs	1,315	4,202
	2,848	9,665

10 DEBTORS

	2014 £'000	2013 £'000
Securities sold for future settlement	375	131
Amount receivable on ordinary shares issued	1	–
Accrued income	187	118
Other debtors	367	60
	930	309

11 CREDITORS

	2014 £'000	2013 £'000
Securities purchased for future settlement	404	359
Other creditors	459	443
	863	802

Notes to the Financial Statements

12 SHARE CAPITAL

	2014 shares	2014 £'000	2013 shares	2013 £'000
Issued, allotted and fully paid:				
Ordinary shares of 25 pence each				
Beginning of the year	113,954,834	28,489	96,822,685	24,206
Issue of ordinary shares on the conversion of rights attached to subscription shares	47,541	12	17,232,149	4,308
Repurchase of ordinary shares	–	–	(100,000)	(25)
End of the year	114,002,375	28,501	113,954,834	28,489
2014 bonus issue of subscription shares of 0.001 pence each				
Beginning of the year	–	–	–	–
Bonus issue of subscription shares	22,790,861	–	–	–
Exercise of rights attached to subscription shares and conversion into ordinary shares	(47,541)	–	–	–
End of the year	22,743,320	–	–	–
2009 bonus issue of subscription shares of 5 pence each				
Beginning of the year	–	–	17,232,149	862
Exercise of rights attached to subscription shares and conversion into ordinary shares	–	–	(17,232,149)	(862)
End of the year	–	–	–	–
Total share capital		28,501		28,489

The 2014 bonus issue of subscription shares to ordinary shareholders took place on 27 August 2014 and was on the basis of one subscription share for every five ordinary shares held. Each subscription share gave the holder the right, but not the obligation, to subscribe for one ordinary share upon payment of the subscription price of 86.50 pence, on the last business day of each month, commencing in September 2014.

The final date to exercise these rights will be 29 April 2016. After 29 April 2016, the Company will appoint a trustee who will exercise any rights remaining that have not been exercised by shareholders, providing that by doing so a profit can be realised. To realise a profit the sale proceeds from selling the resulting ordinary shares in the market would need to be in excess of the 86.50 pence per share cost of exercising the rights, plus any related expenses and fees. The resulting profit will be paid to the holders of those outstanding subscription shares.

The 2009 bonus issue of subscription shares to ordinary shareholders took place on 11 November 2011 and was on the basis of one subscription share for every five ordinary shares held. Each subscription share gave the holder the right, but not the obligation, to subscribe for one ordinary share upon payment of the subscription price of 55.00 pence, on the last business day of each month, commencing in February 2010.

The final date to exercise those rights was 28 February 2013. After 28 February 2013, the Company appointed a trustee who exercised all the remaining rights attached to the subscription shares, that had not been exercised by shareholders. The resulting ordinary shares were sold in the market and the profit realised, being the sale proceeds less the 55.00 pence per share cost of exercising the rights and any related expenses and fees, was paid to the holders of those outstanding subscription shares.

Notes to the Financial Statements

13 RESERVES

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

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

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

The "capital reserve" reflects realised gains or losses on investments and derivatives sold, unrealised increases and decreases in the fair value of investments and derivatives held and other income and costs recognised in the capital column of the Income Statement. It can be used to fund share repurchases and it is distributable by way of dividend. The Board has stated that it has no current intention to pay dividends out of capital.

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

14 NET ASSET VALUE PER SHARE

The net asset value per ordinary share is based on net assets of £92,886,000 (2013: £90,042,000) and on 114,002,375 (2013: 113,954,834) ordinary shares, being the number of ordinary shares in issue at the year end.

There is no dilution of the net asset value per ordinary share because the net asset value per ordinary share is below the 86.50 pence per share exercise price of the subscription shares in issue. There was no dilution of the net asset value per ordinary share at 31 December 2013 because there were no subscription shares in issue at that date.

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

	2014 £'000	2013 £'000
Net return before finance costs and taxation	2,987	22,769
Capital return for the year	(3,312)	(22,943)
Net revenue loss before finance costs and taxation	(325)	(174)
(Increase)/decrease in other debtors	(376)	57
Increase in other creditors	9	112
Overseas taxation suffered	(107)	(84)
Net cash outflow from operating activities	(799)	(89)

Notes to the Financial Statements

	2014 £'000	2013 £'000
16 RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET FUNDS		
Net funds at the beginning of the year	662	674
Net cash inflow	3,103	642
Exchange movements	(589)	(654)
Change in net funds	2,514	(12)
Net funds at the end of the year	3,176	662

	2014 £'000	cash flows £'000	exchange movements £'000	2013 £'000
Analysis of net funds				
Cash at bank	3,176	3,103	(589)	662

17 FINANCIAL INSTRUMENTS

MANAGEMENT OF RISK

The general risk analysis undertaken by the Board and its overall policy approach to risk management are set out in the Strategic Report on pages 11 to 14. This Note is incorporated in accordance with Financial Reporting Standard 29: Financial Instruments: Disclosures ("FRS 29") and refers to the identification, measurement and management of risks potentially affecting the value of financial instruments.

The Company's financial instruments comprise:

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

The risks identified by FRS 29 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 instruments risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies have remained unchanged since the beginning of the accounting period.

Market price risk

Interest rate risk

The Company finances its operations through share capital and its retained reserves. In addition, the Company has a geared exposure to Japanese equities through the use of long CFDs which incur funding costs and provide collateral in yen. It is, therefore, exposed to financial risk as a result of increases in yen interest rates.

Notes to the Financial Statements

17 FINANCIAL INSTRUMENTS continued

Interest rate risk profile

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

	2014 £'000	2013 £'000
Exposure to financial instruments that bear interest		
Gearing effect of exposure to long CFDs	23,906	15,276
Exposure to financial instruments that earn interest		
Cash at bank	3,176	662
Net exposure to financial instruments that bear interest	20,730	14,614

Foreign currency risk

The Company's total net assets and total return on ordinary activities can be affected by foreign exchange movements because the Company has assets, liabilities and income which are denominated in yen whereas the Company's base currency is UK sterling.

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

- Movements in 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.

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

The Company may also be subject to short term exposure from exchange rate movements, for example between the date when an investment is bought or sold and the date when settlement of the transaction occurs.

Currency exposure of financial assets

The Company's financial assets comprise equity investments, the exposure to the investments underlying the long CFDs, short term debtors and cash. The currency profile of these financial assets is shown below:

2014	investments designated at fair value through profit or loss £'000	portfolio exposure through long CFDs £'000	short term debtors £'000	cash £'000	total £'000
Financial assets held in yen	82,486	31,063	844	3,169	117,562

2013	investments designated at fair value through profit or loss £'000	exposure through long CFDs £'000	short term debtors £'000	cash £'000	total £'000
Financial assets held in yen	84,031	21,118	249	588	105,986

Notes to the Financial Statements

17 FINANCIAL INSTRUMENTS continued

Currency exposure of financial liabilities

The Company finances its investment activities through its share capital and retained reserves and it has a geared exposure to Japanese equities through the use of long CFDs. The Company's financial liabilities comprise the exposure to the investments underlying the long CFDs, less the fair value of those long CFDs, and other short term creditors. The currency profile of these financial liabilities is shown below:

	2014		
	gearing effect of exposure to long CFDs £'000	short term creditors £'000	total £'000
Financial liabilities held in yen	23,906	405	24,311

	2013		
	gearing effect of exposure to long CFDs £'000	short term creditors £'000	total £'000
Financial liabilities held in yen	15,276	335	15,611

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 may suffer through holding market positions in the face of price movements. The Investment Manager is responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk/reward profile. Other price risks arising from long CFD positions, mainly to do with the underlying exposures, are assessed by the Manager's specialist derivative instruments team.

Liquidity risk

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

Counterparty risk

All securities and derivative instruments are transacted with brokers and carry the risk that the counterparty to a transaction may not meet its financial obligations. 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 through the use of internal and external credit agency ratings and evaluates derivative instrument credit risk exposure.

For Over The Counter ("OTC") derivative transactions, in accordance with the terms of International Swap Dealers Association ("ISDA") market standard derivative contracts, 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 2014, £7,916,000 (2013: £5,615,000) was held in government bonds in a segregated collateral account, on behalf of the Company, to reduce the exposure to counterparty risk of the Company.

Credit risk

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

Notes to the Financial Statements

17 FINANCIAL INSTRUMENTS continued

Derivative instruments risk

The risks and risk management processes which result from the use of derivative instruments are included within the other risk categories disclosed above. Derivative instruments are used by the Portfolio Manager to gain unfunded long exposure to equity markets, sectors or single stocks. "Unfunded" exposure is exposure gained without an initial outflow of capital. The risk and performance contribution of these instruments to the Company's portfolio is overseen by a specialist derivative instruments team which draws on over forty years of specialist experience in derivative risk management. This team uses portfolio risk assessment tools to advise the Investment Manager on portfolio construction.

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

If interest rates had increased by 0.25%, total net assets and the total return on ordinary activities would have decreased by £52,000 (2013: £37,000). A decrease in interest rates by 0.25% would have had an equal but opposite effect. This is based on the Company having held its 31 December 2014 exposure to long CFDs and cash at bank throughout the year, with all other variables held constant.

Foreign currency risk sensitivity analysis

If UK sterling had strengthened by 10% against the yen, with all other variables held constant, at 31 December 2014, total net assets and the total return on ordinary activities would have decreased by £8,477,000 (2013: £8,214,000). A 10% weakening of UK sterling against the yen would have increased total net assets and the total return on ordinary activities by £10,361,000 (2013: £10,039,000).

Other price risk sensitivity analysis

Changes in market prices other than those arising from interest rate risk or foreign currency risk may also affect the value of the Company's net assets and its total return on ordinary activities. Details of how the Board sets risk parameters and performance objectives can be found in the Strategic Report on pages 11 to 14.

Investments exposure sensitivity analysis

An increase of 10% in the fair value of the investments at 31 December 2014 would have increased total net assets and total return on ordinary activities by £8,249,000 (2013: £8,403,000). A decrease of 10% would have had an equal but opposite effect.

Derivatives instruments exposure sensitivity analysis

The Company also invests in long CFDs to gain exposure to the equity markets. An increase of 10% in the price of shares underlying the long CFDs at 31 December 2014 would have increased total net assets and total return on ordinary activities by £3,106,000 (2013: £2,112,000). A decrease of 10% would have had an equal but opposite effect.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As explained in Notes 1(g) and 1(h) on pages 46 and 47, investments are stated at fair value, which is bid or last market price, and long CFDs are stated at fair value, which is the difference between the settlement price and the value of the underlying shares in the contract. Other financial assets and liabilities are stated in the Balance Sheet at values which are not materially different to their fair values. In the case of cash at bank, book value approximates to fair value due to the short maturity of the instruments.

FAIR VALUE HIERARCHY

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

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

Notes to the Financial Statements

17 FINANCIAL INSTRUMENTS continued

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

The techniques used by the Company to value its financial instruments are explained in Accounting Policies Notes 1(g) and 1(h) on pages 46 and 47. All the financial instruments held at fair value by the Company are considered to fall within Level 1, with the exception of net derivative instrument assets of £7,157,000 (2013: 5,842,000) which fall within Level 2.

18 CAPITAL MANAGEMENT

The Company does not have any externally imposed capital requirements. The capital of the Company comprises gearing, which is managed via the use of long CFDs, share capital and retained reserves, which are disclosed in the Balance Sheet above. It is managed in accordance with its investment policy and in pursuit of its investment objective, as disclosed in the Strategic Report on pages 11 and 12. The principal risks and their management are disclosed in the Strategic Report on pages 12 and 13.

19 RELATED PARTY TRANSACTIONS

The Company has identified the Directors as its only related parties. The Directors have complied with the provisions of Financial Reporting Standard 8 "Related Party Disclosures", which require disclosure of related party transactions and balances. The Directors' remuneration and their interests in the shares of the Company are disclosed in the Directors' Remuneration Report on pages 35 to 37.

Financial Calendar

The key dates in the Company's calendar are:

31 December 2014 – financial year end

31 March 2015 – announcement of results

April 2015 – publication of this report

4 June 2015 – Annual General Meeting

30 June 2015 – Half-Year end

July/August 2015 – announcement of Half-Yearly results to 30 June 2015

August 2015 – publication of Half-Yearly report

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity Japanese Values PLC will be held at 25 Cannon Street, London EC4M 5TA, on 4 June 2015 at 12 noon for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2014.

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

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

4. To re-elect Sir Laurence Magnus as a Director.

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

6. To elect Ms Mami Mizutori as a Director.

7. To elect Mr Dominic Ziegler as a Director.

8. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 34) for the year ended 31 December 2014.

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

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

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

Authority to allot shares and dis-application of pre-emption rights

Resolutions 11 and 12 will, if approved, authorise the Directors to allot a limited number of new ordinary shares for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The limit set by the Board is 5% of the number of ordinary shares of the Company in issue on 30 March 2015. The Directors will only issue new shares under this authority to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so.

11. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert into shares in the Company ("relevant securities") up to an aggregate nominal amount of £1,425,042 (approximately 5% of the aggregate nominal amount of the issued ordinary share capital of the Company as at 30 March 2015) and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with 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 of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require equity securities to be allotted after such expiry as if the authority conferred by this resolution had not expired. All previous unexercised authorities are revoked, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

12. THAT, subject to the passing of Resolution 11 set out above, the Directors be and they are hereby generally and unconditionally authorised, pursuant to Sections 570 and 573 of the Companies Act 2006 to allot equity securities (as defined in Section 560 of that Act) for cash pursuant to the authority given by the said Resolution 11 as if Section 561 of that Act did not apply to any such allotment, provided that this power shall be limited:

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

    b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £1,425,042 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 30 March 2015); and

    c) in either case by the condition that the allotment of equity securities at a price of not less than the net asset value per share

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

Notice of Meeting

Authority to repurchase shares

Resolution 13 is a special resolution which, if approved, will renew the Company's authority to purchase its ordinary shares for cancellation. The limit set by the Board is 14.99% respectively of the number of ordinary shares in issue on 30 March 2015. Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board and in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share, thereby resulting in an increase in the net asset value per share.

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

    a) the maximum number of shares hereby authorised to be purchased shall be 17,089,105 ordinary shares;

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

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

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

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

By Order of the Board
FIL Investments International
Secretary
30 March 2015

Notes:

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

2. A Form of Proxy is enclosed and must be returned to the Registrars at the address on the form to arrive not later than 12 noon on 2 June 2015. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if they so wish.

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

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

5. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 12 noon on 2 June 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35 (5) (a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrars no later than 12 noon on 2 June 2015.

6. All members are entitled to attend and vote at the Annual General Meeting and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at 5.30pm on 2 June 2015.

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

Notice of Meeting

appointment of proxies in Note 2 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.

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

9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes they may cast), members must be entered on the Register of Members by 5.30pm on 2 June 2015. If the meeting is adjourned then, to be so entitled, members must be entered on the Register of Members at 5.30pm on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.

10. As at 30 March 2015 (the latest practicable date prior to the publication of this document) the Company's issued ordinary share capital consisted of 114,003,375 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the Company as at 30 March 2015 was 114,003,375.

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

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

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

14. Under Section 338 and Section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in such business. A resolution may properly be moved or a matter may properly be included in the business of the meeting unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business of the meeting, must be authorised by the person or persons making it, must be received by the Company not later than 23 April 2015 being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business of the meeting only) must be accompanied by a statement setting out the grounds for the request.

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

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

Note: Please see the Shareholder Information section on pages 65 and 66 for contact details if you have any queries. Please note that shareholders may not use any electronic address provided in either this notice or any related documents (including the Proxy Form) to communicate with the Company for any purposes other than those expressly stated. Shareholders may not use any telephone number set out in this document for the purpose of lodging instructions for the Annual General Meeting. Similarly the Company's website www.fidelity.co.uk/its may not be used to send documents or instructions for the Annual General Meeting.

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

Investing in Fidelity Japanese Values PLC

The information on the following pages is provided by Fidelity and should not be seen as a recommendation by the Board of Fidelity Japanese Values PLC.

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

INVESTING INSIDE AN ISA

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

With effect from 1 July 2014, ISAs were reformed into a simpler product, the 'New ISA' ("NISA"), with equal limits for cash, and stocks and shares. The overall subscription limit is £15,000. The minimum investment per fund in the Fidelity ISA is £1,000 as a lump sum, £250 as a top-up, or £50 a month per company in a regular savings plan.

Charges – Initial charges in the Fidelity ISA may vary. For those investing personally (directly with Fidelity), there will be no initial charge. Those investing through an intermediary will pay a basic initial charge of 0.5% plus any initial fee or commission (where applicable) agreed with their intermediary. Fidelity pays stamp duty from the initial charge. There are no other charges for the Fidelity ISA, but the Company pays an annual management charge to Fidelity of 0.85% as set out in the Annual Report.

Investing for children – Junior ISAs ("JISA") are similar to "adult" ISAs but with a few important differences.

Junior ISAs are available to UK residents under the age of 18 who do not have a child trust fund, if opened by a parent or guardian who is older than 18.

Money cannot be withdrawn from the product until the child turns 18, when the policy will automatically become an "adult" ISA and the child will be able to access the funds – subject to proof of identity.

MOVING MONEY FROM A PREVIOUS ISA

If you have opened ISAs with other investment companies, you can move them into the Fidelity ISA and invest in Fidelity Japanese Values PLC without losing any tax benefits. This is known as an ISA transfer and it can be a way to give your portfolio a new focus, or to realign it with your current investment goals. Please note that during the transfer your money will not be invested in the stock market so you may miss out on any growth during this time.

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

INVESTING OUTSIDE AN ISA

If you prefer to invest outside an ISA, or have already used your full ISA allowance, the Fidelity Investment Trust Share Plan offers you a low-cost and convenient way to put money into Fidelity Japanese Values PLC. The minimum investment is £1,000 as a lump sum, £250 as a top-up or £50 a month through a regular savings plan. You will also be able to set up a monthly savings plan and receive statements and valuations twice a year.

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

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

BENEFICIAL OWNERS OF SHARES – INFORMATION RIGHTS

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

INVESTING ONLINE

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

Investing in Fidelity Japanese Values PLC

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

FURTHER INFORMATION

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

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

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

The Fidelity Individual Savings Account ("ISA") and Junior ISA are offered and managed by Financial Administration Services Limited. The Fidelity Investment Trust Share Plan is managed by FIL Investments International. Both companies are regulated by the Financial Conduct Authority. The Fidelity Investment Trust Share Plan is administered by Bank of New York Mellon and shares will be held in the name of Bank of New York Nominees Limited.

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

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

Issued by Fidelity Japanese Values PLC.

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

Shareholder Information

CONTACT INFORMATION

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

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

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

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

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

Fidelity Share Plan investors
Fidelity Investment Trust Share Plan, PO Box 12062, Mellon House, Ingrave Road, Brentwood, Essex CM14 9LX. Telephone: 0845 358 1107 (calls to this number are charged at 3.95p per minute from a BT landline. Other telephone service providers' costs may vary.)

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

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

ONLINE SHAREHOLDER SERVICES – SHARE PORTAL

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

- **Account Enquiry** – Allows shareholders to access their personal shareholding, including share transaction history, dividend payment history and to obtain an up-to-date shareholding valuation;
- **Amendment of Standing Data** – Allows shareholders to change their registered postal address and add, change or delete dividend mandate instructions. Shareholders can also download from this site forms such as change of address, stock transfer and dividend mandate forms as well as buy and sell shares in the Company.

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

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

Capita Share Dealing Services – You can make use of a low cost share dealing service provided by Capita Asset Services to buy or sell shares. Further information is available at www.capitadeal.com, or by telephoning 0871 664 0454 (calls cost 10p per minute plus network extras. Lines are open 8.00am – 4.30pm Monday to Friday). Using Capita Share Dealing Services you will also be able to deal in the shares of other companies for which Capita acts as Registrar, provided you are already a shareholder in the relevant company, and that company offers the Share Deal facility to its shareholders.

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

KEEPING YOU UPDATED

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

COMPANY INFORMATION

The Company was launched on 17 November 1994 with one warrant attached to every five shares (the final subscription date for the warrants was 30 April 2004). The original subscription price for each share was £1. The Company issued one subscription share for every five ordinary shares held on 11 November 2009 (the final subscription date for the subscription shares was 28 February 2014). The Company is a member of The Association of Investment Companies ("AIC") from whom general information on investment trusts can be obtained by telephoning 020 7282 5555 (email address: enquiries@theaic.co.uk).

Shareholder Information

MANAGER AND ADVISORS

Portfolio Manager, Secretary and Registered Office
FIL Investments International
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey KT20 6RP

Financial Adviser and Stockbroker
Canaccord Genuity Ltd
88 Wood Street
London EC2V 7QR

Independent Auditor
Grant Thornton UK LLP
Chartered Accountants and
Registered Auditor
30 Finsbury Square
London EC2P 2YU

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

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

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

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

Lawyer
Charles Russell Speechlys LLP
6 New Street Square
London
EC4A 3LX

PRICE INFORMATION

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

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

NAV INFORMATION

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

CAPITAL GAINS TAX

Your Directors have been advised that, for the purposes of calculating an investor's possible liability to capital gains tax, the base cost of ordinary shares and warrants, acquired at the time of the Company's launch, is 90.21p. All UK individuals under present legislation are permitted to have £11,000 of capital gains in the current tax year 2014/2015 (2013/2014: £10,900) before being liable for capital gains tax. Capital gains tax is charged at 18% and 28% dependent on the total amount of taxable income.

The receipt by ordinary shareholders of the subscription shares arising from the Bonus Issue is treated as a reorganisation of the share capital of the Company. Accordingly, the subscription shares are treated as the same asset as a shareholder's holdings of ordinary shares and as having been acquired at the same time as the shareholder's holding of ordinary shares was acquired. As a result of the Bonus Issue the shareholder's original base cost in his or her ordinary shares will be apportioned between these ordinary shares and the subscription shares by reference to their respective market values on the day on which the subscription shares were admitted to trading on the London Stock Exchange's market for listed securities, ie 28 August 2014.

The middle market prices of the ordinary shares and subscription shares at close of business on 28 August 2014 were 73.50 pence and 5.00 pence per share respectively.

The base cost of ordinary shares equals actual base cost to the shareholder of the ordinary shares multiplied by market value of the ordinary shares on 28 August 2014 divided by market value of the ordinary shares on 28 August 2014 plus market value of the subscription shares on the same date.

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

The Subscription Price of the Subscription Shares was calculated as the published NAV per Ordinary Share as at 5.00pm on 26 August 2014, plus an amount equal to 2% of such NAV per Ordinary Share, rounded up to the nearest quarter penny. Accordingly, the Subscription Price payable on exercise of each Subscription Share has been calculated to be 86.50 pence.

The base cost of each such ordinary share will be the deemed base cost of the subscription share that it replaces, calculated as described above, plus the applicable subscription price of 86.50 pence per share.

Glossary of Terms

AIF
Alternative Investment Fund. The Company is an AIF.

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

AIFMD
The Alternative Investment Fund Managers Directive is a European Union Directive that came into force on 22 July 2013. The implementation date was 22 July 2014.

CAPITAL GAINS TAX (CGT)
The tax you may have to pay if you sell your shares at a profit.

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

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

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

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

DERIVATIVES
Financial instruments (such as futures, options and Contracts For Difference) whose value is derived from the value of an underlying asset.

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

FAIR VALUE
The fair value is the best estimate of the 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 are valued as the difference between the settlement price of the contract and the value of the underlying shares in the contract (unrealised gains or losses).

GEARING
Gearing describes the level of a Company's borrowing and is usually expressed as a percentage of shareholders' funds. It can be through the use of bank loans, bank overdrafts or Contracts For Difference in order to increase a Company's exposure to stocks. Gearing is permitted in order to buy or gain exposure to further investments. If assets rise in value, gearing magnifies the return to ordinary shareholdings. Correspondingly, if the assets fall in value, gearing magnifies that fall. Contracts For Difference are used as a way of gaining exposure to the price movements of shares without buying the underlying shares directly.

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

HEDGING
A strategy aimed at minimising or eliminating the risk or loss through adverse movements normally involving positions in two different markets, with one offsetting the other. The Company uses derivative instruments for gearing and investment rather than hedging purposes.

LEVERAGE
Any method by which an AIFM increases the exposure of an AIF it manages whether through borrowing cash or securities, or leverage embedded in derivative positions or by any other means. Leverage is measured in terms of exposure and is expressed as a ratio of net asset value. There are two measures of calculated leverage:

- The Gross Method which does not reduce exposure for hedging; and
- The Commitment Method which reduces exposure for hedging.

Glossary of Terms

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

NET ASSET VALUE PER ORDINARY SHARE – UNDILUTED
Represents the net asset value divided by the number of ordinary shares in issue.

NET ASSET VALUE PER ORDINARY SHARE – DILUTED
Represents the net asset value per ordinary share – undiluted adjusted to reflect what the net asset value per share would have been if all the rights attached to any subscription share in issue had been exercised. A dilution occurs when the exercise price of the subscription share rights is less than the net asset value per ordinary share – undiluted.

ONGOING CHARGES
Total expenses (excluding finance costs and taxation) incurred by the Company as a percentage of average net asset values (previously known as the total expense ratio).

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 exiting shareholders. At each annual general meeting, the Board seeks shareholder approval to disapply pre-emption right provisions, up to 5%.

PREMIUM
If the share price of the Company is higher than the net asset value per share, the Company's shares are said to be trading at a premium. The premium is shown as a percentage of the net asset value. The opposite of a premium is a discount.

REFERENCE INDEX
Russell Nomura Mid/Small Cap Index (in sterling terms).

REGISTRAR
An entity that manages the Company's shareholders register. The Company's registrar is Capita Asset Services.

RETURN/(LOSS)
The return/(loss) generated in the period from the investments:

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

SHARE REPURCHASES
An increasingly popular way for investment trust companies to return cash to their shareholders is through offering to repurchase a proportion of shares currently held. Companies seek the permission of shareholders to do so at their annual general meetings allowing them to repurchase a proportion of their total shares (up to 14.99%) in the market at prices below the prevailing net asset value per share. This process is also used to enhance the net asset value per share and to reduce the discount to net asset value.

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.

TOPIX
Also known as the Tokyo Stock Price Index, is a capitalisation-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange. The index is supplemented by the subindices of the 33 industry sectors.

TOTAL PORTFOLIO EXPOSURE
The total of fixed asset investments at fair value plus the fair value of the underlying securities within the Contracts For Difference.

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

Alternative Investment Fund Manager's Disclosure

As explained in the Chairman's Statement, in compliance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Board have appointed FIL Investment Services (UK) Limited ("FISL") (a Fidelity group company) as the Company's Alternative Investment Fund Manager ("AIFM"). Details of the Alternative Investment Fund Management and Secretarial and Management Services Agreement dated 17 July 2014 are included in the Directors' Report on page 23. FISL has delegated the portfolio management and company secretarial function to FIL Investments International (another Fidelity group company).

The table below discloses information required by the Alternative Investment Fund Managers Regulations 2013.

Function	AIFM Role and Responsibility	AIFMD Disclosure
Investment Management	The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company. It has delegated this function to FIL Investments International. The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.	Details of the Company's investment objective, strategy and investment policy, including limits, are on pages 11 and 12.
Risk management	In its capacity as AIFM, FIL Investment Services (UK) Limited has a responsibility for risk management for the Company which is in addition to the Board's corporate governance responsibility for risk management. The Company has a Risk Management Process Document which is agreed with the Board and demonstrates that risk management is separated functionally and hierarchically from operating units and demonstrates independence safeguards. The Manager maintains adequate risk management systems in order to identify, measure and monitor all risks at least annually under 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, remain 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 internal control and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 12 and 13 and in Note 17 to the Financial Statements on pages 54 to 58.
Valuation of illiquid assets	The Directive requires the disclosure of the percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature. Further, any new arrangements for managing the liquidity of the Company must be disclosed.	Not Applicable.
Leverage	The Company uses leverage to increase its exposure to the stockmarkets of Japan and currently holds long Contracts for Difference to achieve this. The AIFM, in consultation with the Board, 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. A definition of leverage is included in the Glossary of Terms on page 67.	The maximum leverage limits are 1.80 for the Gross Method of calculating leverage and 1.50 for the Commitment Method. There have been no changes to the maximum level of leverage that the Company may employ during the year. At 31 July 2014, actual leverage was 1.26 for both the Gross Method and the Commitment Method.
Liquidity management	The AIFM, in consultation with the Board, maintains a liquidity management policy which is reviewed and updated, if required, at least annually.	No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 17 on page 56.
Remuneration of the AIFM	The AIFM operates under the terms of Fidelity's Global Remuneration Policy Statement. 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).	The FCA's *General Guidance on the AIFM Remuneration Code* has established that the first full performance year will not commence until 1 January 2015. Accordingly, there is no data to disclose in respect of remuneration of the AIFM for this year.

The AIFM's Annual Report is available to shareholders on request. Please contact the Company Secretary whose address can be found on page 66 .

Warning to Shareholders

SHARE FRAUD WARNING

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

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

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

PROTECT YOURSELF

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

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

2. Check the FCA Register at **www.fca.org.uk/register** to ensure they are authorised.

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

4. Call the FCA Consumer Helpline on **0800 111 6768** if there are no contact details on the Register or you are told they are out of date.

5. Search the FCA's website for a list of unauthorised firms and individuals to avoid doing business with.

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

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

REPORT A SCAM

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at **www.fca.org.uk/consumers/scams**, where you can find out about the latest investment scams. You can also call the Consumer Helpline on **0800 111 6768**.

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

0300 123 2040

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