

# Fidelity Japanese Values PLC

## Half-Yearly Report

For the 6 months ended 30 June 2013



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# Investment Objective and Highlights

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.

## Performance (six months to 30 June 2013)

	Six months to 30 June 2013
Net Asset Value ("NAV") per Ordinary Share Total Return – undiluted	+36.0%
Ordinary Share Price Total Return	+39.9%
Russell/Nomura Mid-Small Cap Index* (in sterling terms)	+22.6%

\* The Company's Benchmark Index

## As at 30 June 2013

	As at 30 June 2013
Equity Shareholders' Funds	£92.9m
Market Capitalisation	£82.3m
Capital Structure: Ordinary Shares of 25p each	113,954,834

## Standardised Performance – Total Return (%)

	01/07/12 to 30/06/13	01/07/11 to 30/06/12	01/07/10 to 30/06/11	01/07/09 to 30/06/10	01/07/08 to 30/06/09
NAV per ordinary share – undiluted	+29.2	-9.9	+16.9	+16.0	-16.4
Ordinary share price	+37.6	-9.5	+14.9	+11.6	-16.6
Russell/Nomura Mid-Small Cap Index (in sterling terms)	+20.5	-5.7	+3.4	+10.9	+4.2

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

# Summary of Results

	30 June 2013	31 December 2012	% change
<b>Assets</b>			
Total portfolio exposure <sup>1</sup>	£108.0m	£70.2m	+53.8
Shareholders' funds	£92.9m	£58.0m	+60.2
NAV per ordinary share – undiluted	81.54p	59.94p	+36.0
NAV per ordinary share – diluted <sup>2</sup>	n/a	59.19p	
<b>Stockmarket Data</b>			
Russell/Nomura Mid-Small Cap Index (in sterling terms)	2.17	1.77	+22.6
Yen/£ exchange rate	150.66	140.55	-6.7
Ordinary share price <sup>3</sup>	period end	51.63p	+39.9
	high	80.38p	
	low	50.50p	
Discount – undiluted <sup>3</sup>	period end	13.9%	
	high	12.6%	
	low	8.6%	
<b>Results for the six months to 30 June<sup>4</sup></b>			
	2013	2012	
Revenue (loss)/return per ordinary share	(0.09p)	0.09p	
Capital return/(loss) per ordinary share	23.61p	(1.18p)	
Total return/(loss) per ordinary share	23.52p	(1.09p)	

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

2 There was no diluted net asset value per ordinary share at 30 June 2013 because there were no longer any subscription shares in issue at that date. At 31 December 2012 there was dilution because there were subscription shares in issue and the NAV per ordinary share was higher than the exercise price of the rights attached to those subscription shares

3 The high and low figures relate to the six months to 30 June 2013 and the year to 31 December 2012

4 See pages 12 and 13

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

# Chairman's Statement

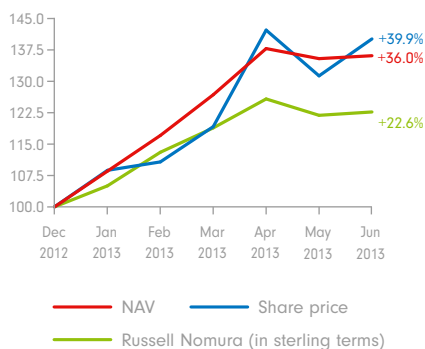
I have pleasure in presenting the Half-Yearly Report for the six months ended 30 June 2013.

During the period under review, the Company's NAV per share rose by 36.0%, compared to an increase of 22.6% in the Russell/Nomura Mid-Small Cap Index (sterling adjusted). Over the same period the share price rose by 39.9%, with the discount narrowing from 13.9% to 11.4%.

As can be seen from the Attribution Analysis opposite, Index performance, stock selection and gearing all contributed to performance, whilst the decline in the value of the yen against sterling had a negative impact.

A commentary on both the portfolio and the prospects for the Japanese economy may be found in the Manager's Half Yearly Review on pages 6 to 8.

## Performance for the six months to 30 June 2013



Rebased to 100 at 31 December 2012

Sources: Fidelity and Datastream

## Attribution Analysis

Six months to  
30 June 2013  
(pence)

<b>NAV per share at 31 December 2012 (undiluted)</b>	<b>59.94</b>
Impact of the Index*	+18.86
Impact of Index Income*	+0.80
Impact of Stock Selection	+5.83
Impact of Gearing*	+4.77
Impact of Exchange Rate	-5.34
Impact of Charges	-0.61
Impact of Share Issues/Repurchases	-2.85
Cash/Residual	+0.14
<b>NAV per share at 30 June 2013 (undiluted)</b>	<b>81.54</b>

\* in yen terms

## GEARING

The Company continues to gear through the use of Contracts For Difference ("CFDs"). Total portfolio exposure was £108.0m as at 30 June 2013, equating to gearing of 16.3% (see page 11).

## SHARE REPURCHASES

During the six months to 30 June 2013, 100,000 ordinary shares were repurchased for cancellation.

# Chairman's Statement

## SUBSCRIPTION SHARES

The final date on which the subscription shares could be exercised was 28 February 2013. Between 31 December 2012 and the final subscription date, a total of 7,032,140 subscription shares were exercised by shareholders. In accordance with the Articles of Association, the Company appointed a trustee in respect of the outstanding 10,200,009 subscription shares following the final subscription date. The trustee subsequently exercised all of the outstanding subscription shares and sold the resulting ordinary shares in the market on the same terms.

Since the subscription shares were issued in November 2009 they have raised a total of £10.5m for the Company, both improving liquidity and allowing operating costs to be spread across a larger number of ordinary shares.

## PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Company fall into the following broad categories: market risk, performance risk, share price risk, currency risk, gearing risk, tax and regulatory risks, operational risks and financial instrument risks. Information on each of these areas is given in the Business Review section within the Annual Report for the year ended 31 December 2012.

## GOING CONCERN

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. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements as outlined in the Annual Report for the year ended 31 December 2012.

Shareholders at the Annual General Meeting held on 14 May 2013 approved the resolution that the Company should continue as an investment trust. The next such continuation vote will take place in 2016.

## ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

The Alternative Investment Fund Managers Directive ("AIFMD") is a European Directive that affects many investment funds, including the Company, that are managed or promoted within the European Union. The Board has been advised that the Directive is unlikely to have any material effect on the services provided by, or to, the Company although the regulations implementing the Directive will require the amendment of, and supplement to, many of the contracts under which services are provided to the Company; some additional reporting, both to investors and to the Financial Conduct Authority; and an enhanced role for the custodian, which will be required to satisfy a new and wide-ranging set of regulations. The Board has been further advised that the only consequence of note for shareholders is a potential increase in the operating costs of the Company. At this juncture, it is too early to know whether this will be the case and, if so, the size of any increase, not least because the Directive is not due to apply to the Company, under the transitional regime applicable in the United Kingdom, until 22 July 2014. In the meantime, there are a number of uncertainties as to how the provisions will, in practice, be implemented and the costs that will result. The Board will continue to seek to restrict any increase in operating costs to that necessary for compliance with the new regulatory regime.

## OUTLOOK

Since the December 2012 election, Prime Minister Abe's government has stimulated an improvement in sentiment towards Japan. On coming to power Mr. Abe instituted the "Three Arrows" policy, aimed at ending two decades of deflation and economic stagnation. The first two arrows of Mr. Abe's policy initiative are an aggressive fiscal and monetary package involving a ¥50 trillion a year quantitative easing programme, a 2% inflation target and a ¥10 trillion stimulus package. The third arrow – structural reform – seeks to promote sustainable growth through addressing some of the inefficiencies in the Japanese economy. There are early signs that "Abenomics" is bearing fruit with a number of domestic economic indicators having improved, whilst the devaluation of the yen should continue to help exporters. Nonetheless, whilst the outlook is undoubtedly brighter than it was a year ago, it is important that the "Three Arrows" policy, and in particular the proposed structural reform, is successfully implemented.

The Japanese stock market has rebounded strongly in the year to date and there are grounds for believing that progress can be maintained over the medium term. In the shorter term concerns over the tapering of quantitative easing in the US, the level of Chinese growth and the continuing Eurozone crisis may further affect global investor sentiment.

### **David Robins**

Chairman

30 July 2013

# Manager's Half-Yearly Review

Japan is back in the limelight for the first time in nearly ten years since Mr. Koizumi's premiership. Japanese stocks enjoyed an uninterrupted rise from mid-November 2012 to mid-May 2013. Prime Minister Abe's economic policies (often referred to as "Abenomics") clearly changed sentiment and reflationary expectations created strong tailwinds for the stock market.

Second-time Prime Minister Shinzo Abe, whose Liberal Democratic Party (LDP) prevailed in lower-house elections in December 2012, launched "Three Arrows" – expansionary monetary policy, aggressive fiscal policy and structural reforms – aimed at achieving economic recovery and an end to deflation. Within the first three months of Mr. Abe's tenure, a dramatic politicised regime change at the Bank of Japan led to an unprecedented setting of an inflation target of 2% followed by a huge quantitative easing programme. As a result, the yen has fallen by 14% against the US dollar for the year to date, and Mr. Abe's promise to support Japanese exporters by bringing down the value of the yen has become self-fulfilling. The speed and trajectory of the first two arrows fuelled expectations that Prime Minister Abe, unlike his recent predecessors who held office for less than a year and successively failed to tackle the country's economic malaise, might be able to create a virtuous cycle. If inflation sets in, consumers will spend; if companies see increasing demand and profitability, they will increase capital spending and wages for workers. This should lead to higher demand, then to higher production, and so on.

Having returned more than 70% in local currency terms since November 2012, the Russell/Nomura Mid-Small Cap Index experienced sharp corrections towards the end of May amid global risk aversion triggered by the US Federal Reserve's Quantitative Easing ("QE") tapering signals, rising bond yields, and concerns about growth in China

and other emerging nations. However, the market has since recovered some poise and Japan remains one of the best-performing markets in the world year-to-date.

## PORTFOLIO REVIEW

Against the favourable market background, your Company's net asset value rose by 36.0% to 81.54p per share. Meanwhile, the share price rose by 39.9% to 72.25p per share and the discount to NAV continued to narrow.

The Company significantly outperformed its Benchmark Index, the Russell/Nomura Mid-Small Cap Index, which returned 22.6% (in sterling terms) during the review period. Core holdings in internet-related services and renewable energy rose sharply and added value. Some individual stock picks resonated well with improving macro indicators such as housing, wages, employment and tourism.

The best performing stock during the review period was Sanix, which was added to the portfolio in March 2013. This company's mainstay business has been termite extermination, but it is shifting into small-scale (i.e. sub-mega watt) solar panel installations by leveraging off its nationwide sales network to reach a broad range of commercial and residential customers. Thanks to Japan's new feed-in-tariff programme initiated in 2012 to subsidise the purchasing of clean energy sold to the power grid, the number of applications for solar power system installation is growing at record rates; against this background Sanix is enjoying triple-digit growth in its solar power business.

The core holdings in internet-based services including Kakaku.com, M3 and Cookpad also ranked in the top ten contributors. The rising penetration of smartphones and the expansion of Japan's e-commerce market underpinned growth



# Manager's Half-Yearly Review

at Kakaku.com's price comparison site, while the number of users of its restaurant review site continued to grow. Both M3 (online medical information services for doctors) and Cookpad (online cooking recipe posting and searching services) impressed the market with strong earnings growth.

Other major contributors included JP-Holdings (child-care services) and Livesense (recruitment services). JP-Holdings' strong share price performance mirrored expectations for Abenomics to boost female labour participation in Japan, while Livesense rose on the back of a tighter labour market.

Conversely, stock selection in the automobile value chain fared less well. While auto-parts maker Takata fell on earnings disappointments due to product recalls, the failure to hold mid-cap automobile makers such as Fuji Heavy Industries and Mazda Motor, which saw their share prices more than double over the last six months, was an additional drag on the performance relative to the Benchmark Index.

During the review period, the Portfolio Manager actively trimmed positions where further upside appeared limited and recycled into new stocks with multi-year growth drivers. A balance was maintained between domestic consumer services, beneficiaries of Abenomics, and pro-cyclical exporters. The Company capitalised on the strong performance of JP-Holdings, Cookpad and Tokai Tokyo Financial Holdings to take profits and switched into laggard cyclical such as NuFlare Technology (semiconductor production equipment) and Tachi-S (auto parts). Investments were made in Sekisui Chemical (which owns a pre-fabricated housing business) and Higashi Nihon House which are both benefiting from increasing housing starts, as well as LED lighting makers such as Odelic and Endo Lighting that are levered to energy saving

demand. Although defensive stocks in foods, utilities, pharmaceuticals, and railways remained underweight, the Portfolio Manager initiated a position in Fuji Kyuko, a railway operator that serves the area between Tokyo and Mount Fuji. Mr. Abe's policy emphasis on increasing inbound tourism combined with Mount Fuji's newly gained status as a world heritage site bodes well for the company.

## OUTLOOK

The sharp declines in Japanese stock prices in late May and early June unnerved investors. However, a period of consolidation was unsurprising given the uninterrupted rally that we experienced over the previous six months. Historically speaking, a sizeable pullback is not uncommon during any bull market phase. We do not think the peak is behind us because the key drivers for the rally, ranging from aggressive monetary policy to expectations of a better macro environment and improving earnings, remain intact.

The Upper House elections on 21 July can be seen as a vote of confidence in Mr. Abe's policies, with the LDP led coalition winning a clear majority. The election should bring an end to the deadlocked parliament that has slowed the passage of legislation in recent years and pave the way for a period of relative political stability over the next three years.

Following the Upper House election, the Prime Minister will need to challenge vested interests and pick the fights necessary for the successful execution of his growth and reform policies. The government is set to release the second round of its growth strategy in the autumn and the content will draw close examination for details of corporate tax breaks, labour market reforms and other longer-term issues. Clearly, Mr. Abe's progress on structural reform will be the key to the long-term success of his revolutionary policy

# Manager's Half-Yearly Review

experiment – as only that can unlock the productive potential of Japan's economy and drive future growth. We also need to see a united front of political and corporate leaders actively promoting both growth and asset price inflation.

So far the market rally has been driven by Mr. Abe's policies, and we have seen early signs of improvements in macro statistics including wages, employment, consumption and production. Going forward, Japanese companies will have to prove that the yen is not the only driver of their profit recovery and that they have concrete strategies to sustain growth. As the corporate titans of the future are not necessarily those of the past – especially when the macro landscape is changing rapidly – we believe individual stock selection will make a difference.

Our stock selection will continue to focus on opportunities where future growth is not reflected in current share prices. We see such opportunities among beneficiaries of fast-growing internet services, the rising penetration of smartphones, renewable energy demand, improving labour market conditions and asset price reflation. While growth opportunities are abundant in the current market environment, we are paying more attention to share price valuations so as not to over-pay for this growth. In the near-term, we will remain mindful of macro risks including stalled progress in Abenomics, the US Federal Reserve's tapering of QE3 and China's slowdown – any of which could reduce investors' confidence.

## **FIL Investments International**

30 July 2013

# Directors' Responsibility Statement

The Directors confirm to the best of their knowledge that:

- a) the condensed set of financial statements contained within the Half-Yearly financial report has been prepared in accordance with the UK Accounting Standards Board's Statement 'Half-Yearly Financial Reports';
- b) the Chairman's Statement and the Manager's Half-Yearly Review on pages 3 to 8 (constituting the interim management report) include a fair review of the information required by Rule 4.2.7R of the FCA's Disclosure and Transparency Rules and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties and an assessment of the
- c) in accordance with Disclosure and Transparency Rule 4.2.8R there have been no transactions involving related parties during the six months to 30 June 2013 and therefore nothing to report with any material effect as a consequence of such a transaction on the financial position or the performance of the Company during that period; and there have been no changes in this position since the last Annual Report that could have a material effect on the financial position or performance of the Company in the first six months of the current financial year.

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

The Half-Yearly financial report was approved by the Board on 30 July 2013 and the above responsibility statement was signed on its behalf by David Robins, Chairman.

## Twenty Largest Investments as at 30 June 2013

Twenty Largest Investments, including long CFDs	Exposure £'000	Fair Value <sup>1</sup> £'000	Total Exposure <sup>2</sup> %
<b>Sanix</b> Provider of sanitation and environmental resource products and services	4,536	4,536	4.2
<b>M3 (CFD)</b> Provider of medical related internet services	3,262	1,551	3.0
<b>Kakaku.com (CFD)</b> Provider of price comparison services and product information	3,228	1,924	3.0
<b>Sekisui Chemical (CFD)</b> Producer of housing materials, plastics and flat panel displays	3,116	1,176	2.9
<b>Livesense</b> Operator of job placement websites	2,525	2,525	2.3
<b>LIXIL Group</b> Producer of building materials and house equipment	2,448	2,448	2.3
<b>Sumitomo Electric Industries (CFD)</b> Manufacturer of electric wire and optical fibre cables	2,201	265	2.0
<b>Honeys</b> Manufacturer and retailer of clothing	1,991	1,991	1.8
<b>Disco (CFD)</b> Manufacturer of precision machinery and diamond products	1,791	430	1.7
<b>Anicom Holdings</b> Pet insurance company	1,758	1,758	1.6
<b>Anritsu Company (CFD)</b> Manufacturer of test and measurement equipment	1,727	(444)	1.6
<b>Sumitomo Rubber (CFD)</b> Producer of a wide range of rubber based products	1,710	578	1.6
<b>Odelic Company</b> Manufacturer of lighting	1,670	1,670	1.5
<b>AEON Financial Service</b> Provider of financial services	1,670	1,670	1.5

## Twenty Largest Investments as at 30 June 2013

Twenty Largest Investments, including long CFDs	Exposure £'000	Fair Value <sup>1</sup> £'000	Total Exposure <sup>2</sup> %
<b>Zeon Corporation</b> Manufacturer of chemicals	1,634	1,634	1.5
<b>NuFlare Technology</b> Manufacturer of semiconductors	1,571	1,571	1.5
<b>Fuji Kyuko</b> Passenger transportation company	1,531	1,531	1.4
<b>Japan Aviation Electronics Industry</b> Manufacturer and seller of electrical connectors	1,492	1,492	1.4
<b>Nidec Corporation</b> Manufacturer of electric motors	1,431	1,431	1.4
<b>Gulliver International</b> Distributor of used cars	1,392	1,392	1.3
<b>Twenty Largest Investments</b> (31.12.12: 42.7%; 30.06.12: 45.9%)	42,684	31,129	39.5
<b>Other Investments</b> (31.12.12: 57.3%; 30.06.12: 54.1%)	65,339	60,405	60.5
<b>Total Portfolio (including long CFDs)</b>	<b>108,023</b>	<b>91,534</b>	<b>100.0</b>

### GEARING as at 30 June 2013

	£'000
Investments at fair value	84,040
Exposure to long CFDs	23,983
<b>Total portfolio exposure</b>	<b>108,023</b>
Shareholders' funds	92,923
<b>Total portfolio exposure in excess of shareholders' funds</b>	<b>16.3%</b>

1 Fair value represents the carrying value in the Balance Sheet on page 16

2 % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs

# Income Statement

		six months ended 30.06.13 unaudited		
	Notes	revenue £'000	capital £'000	total £'000
Gains/(losses) on investments designated at fair value through profit or loss		-	19,064	19,064
Gains on derivative instruments held at fair value through profit or loss		-	6,608	6,608
Income	2	836	-	836
Investment management fee		(534)	-	(534)
Other expenses		(276)	-	(276)
Exchange (losses)/gains on other net assets		(37)	(107)	(144)
<b>Net (loss)/return before finance costs and taxation</b>		(11)	25,565	25,554
Finance costs		(36)	-	(36)
<b>Net (loss)/return on ordinary activities before taxation</b>		(47)	25,565	25,518
Taxation on (loss)/return on ordinary activities	3	(48)	-	(48)
<b>Net (loss)/return on ordinary activities after taxation for the period</b>		(95)	25,565	25,470
<b>(Loss)/return per ordinary share</b>	4	(0.09p)	23.61p	23.52p

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 period.

These financial statements have been prepared in accordance with the Association of Investment Companies Statement of Recommended Practice issued in January 2009.

year ended 31.12.12 audited			six months ended 30.06.12 unaudited		
revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
-	(6,376)	(6,376)	-	(2,671)	(2,671)
-	2,635	2,635	-	1,720	1,720
1,289	-	1,289	728	-	728
(757)	-	(757)	(389)	-	(389)
(441)	-	(441)	(196)	-	(196)
-	(384)	(384)	20	(199)	(179)
91	(4,125)	(4,034)	163	(1,150)	(987)
(76)	-	(76)	(40)	-	(40)
15	(4,125)	(4,110)	123	(1,150)	(1,027)
(70)	-	(70)	(38)	-	(38)
(55)	(4,125)	(4,180)	85	(1,150)	(1,065)
(0.06p)	(4.24p)	(4.30p)	0.09p	(1.18p)	(1.09p)

## Reconciliation of Movements in Shareholders' Funds

	Notes	share capital £'000
<b>Opening shareholders' funds: 1 January 2012</b>		25,225
Issue of ordinary shares on the exercise of rights attached to subscription shares	5	2
Exercise of rights attached to subscription shares and conversion into ordinary shares	5	(1)
Repurchase of ordinary shares	5	(63)
Net (loss)/return on ordinary activities after taxation for the period		-
<b>Closing shareholders' funds: 30 June 2012</b>		<u>25,163</u>
<b>Opening shareholders' funds: 1 January 2012</b>		25,225
Issue of ordinary shares on the exercise of rights attached to subscription shares	5	3
Exercise of rights attached to subscription shares and conversion into ordinary shares	5	(1)
Repurchase of ordinary shares	5	(159)
Net loss on ordinary activities after taxation for the year		-
<b>Closing shareholders' funds: 31 December 2012</b>		<u>25,068</u>
Issue of ordinary shares on the exercise of rights attached to subscription shares	5	4,308
Exercise of rights attached to subscription shares and conversion into ordinary shares	5	(862)
Repurchase of ordinary shares	5	(25)
Net return/(loss) on ordinary activities after taxation for the period		-
<b>Closing shareholders' funds: 30 June 2013</b>		<u>28,489</u>



share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
698	2,437	57,955	(10,364)	(13,416)	62,535
2	-	-	-	-	4
1	-	-	-	-	-
-	63	(129)	-	-	(129)
-	-	-	(1,150)	85	(1,065)
<u>701</u>	<u>2,500</u>	<u>57,826</u>	<u>(11,514)</u>	<u>(13,331)</u>	<u>61,345</u>
698	2,437	57,955	(10,364)	(13,416)	62,535
4	-	-	-	-	7
1	-	-	-	-	-
-	159	(328)	-	-	(328)
-	-	-	(4,125)	(55)	(4,180)
<u>703</u>	<u>2,596</u>	<u>57,627</u>	<u>(14,489)</u>	<u>(13,471)</u>	<u>58,034</u>
5,170	-	-	-	-	9,478
862	-	-	-	-	-
-	25	(59)	-	-	(59)
-	-	-	25,565	(95)	25,470
<u>6,735</u>	<u>2,621</u>	<u>57,568</u>	<u>11,076</u>	<u>(13,566)</u>	<u>92,923</u>

# Balance Sheet

	Notes	30.06.13 unaudited £'000	31.12.12 audited £'000	30.06.12 unaudited £'000
<b>Fixed assets</b>				
Investments designated at fair value through profit or loss		84,040	55,087	56,168
<b>Current assets</b>				
Derivative assets held at fair value through profit or loss		7,938	1,941	2,435
Debtors		2,705	2,632	815
Cash at bank		742	674	3,898
		11,385	5,247	7,148
<b>Creditors</b>				
Derivative liabilities held at fair value through profit or loss		(444)	(301)	(1,310)
Other creditors		(2,058)	(1,999)	(661)
		(2,502)	(2,300)	(1,971)
<b>Net current assets</b>		8,883	2,947	5,177
<b>Total net assets</b>		92,923	58,034	61,345
<b>Capital and reserves</b>				
Share capital	5	28,489	25,068	25,163
Share premium account		6,735	703	701
Capital redemption reserve		2,621	2,596	2,500
Other reserve		57,568	57,627	57,826
Capital reserve		11,076	(14,489)	(11,514)
Revenue reserve		(13,566)	(13,471)	(13,331)
<b>Total equity shareholders' funds</b>		92,923	58,034	61,345
<b>Net asset value per ordinary share</b>				
Undiluted	6	81.54p	59.94p	63.11p
Diluted	6	n/a	59.19p	61.89p

# Cash Flow Statement

	six months ended 30.06.13 unaudited £'000	year ended 31.12.12 audited £'000	six months ended 30.06.12 unaudited £'000
<b>Operating activities</b>			
Investment income received	426	917	388
Income received on long CFDs	172	294	120
Investment management fee paid	(444)	(790)	(412)
Directors' fees paid	(56)	(182)	(115)
Other cash payments	(383)	(471)	(226)
<b>Net cash outflow from operating activities</b>	<b>(285)</b>	<b>(232)</b>	<b>(245)</b>
<b>Servicing of finance</b>			
Interest paid on long CFDs	(36)	(76)	(40)
<b>Net cash outflow from servicing of finance</b>	<b>(36)</b>	<b>(76)</b>	<b>(40)</b>
<b>Financial investment</b>			
Purchase of investments	(58,555)	(51,491)	(18,319)
Disposal of investments	48,877	48,137	18,242
<b>Net cash outflow from financial investment</b>	<b>(9,678)</b>	<b>(3,354)</b>	<b>(77)</b>
<b>Derivative activities</b>			
Proceeds from long CFD positions closed	754	986	586
<b>Net cash inflow from derivative instruments</b>	<b>754</b>	<b>986</b>	<b>586</b>
<b>Net cash (outflow)/inflow before financing</b>	<b>(9,245)</b>	<b>(2,676)</b>	<b>224</b>
<b>Financing</b>			
Exercise of rights attached to subscription shares	9,479	6	4
Repurchase of ordinary shares	(59)	(328)	(129)
<b>Net cash inflow/(outflow) from financing</b>	<b>9,420</b>	<b>(322)</b>	<b>(125)</b>
<b>Increase/(decrease) in cash</b>	<b>175</b>	<b>(2,998)</b>	<b>99</b>
<b>Reconciliation of net cash movements to movement in net funds</b>			
<b>Net funds at the beginning of the period</b>	<b>674</b>	<b>4,056</b>	<b>4,056</b>
Net cash inflow/(outflow)	175	(2,998)	99
Exchange movements	(107)	(384)	(257)
<b>Change in net funds</b>	<b>68</b>	<b>(3,382)</b>	<b>(158)</b>
<b>Net funds at the end of the period</b>	<b>742</b>	<b>674</b>	<b>3,898</b>

# Notes to the Financial Statements

## 1 ACCOUNTING POLICIES

The Half-Yearly financial statements have been prepared on the basis of the accounting policies set out in the Company's annual report and financial statements for the year ended 31 December 2012.

## 2 INCOME

### Income from investments designated at fair value through profit or loss

Overseas dividends	30.06.13 unaudited £'000	31.12.12 audited £'000	30.06.12 unaudited £'000
	671	1,005	541

### Income from derivatives held at fair value through profit or loss

Dividends on long CFDs	165	284	187
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<b>Total income</b>	<b>836</b>	<b>1,289</b>	<b>728</b>
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30.06.13 unaudited £'000	31.12.12 audited £'000	30.06.12 unaudited £'000
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## 3 TAXATION ON (LOSS)/RETURN ON ORDINARY ACTIVITIES

Overseas taxation suffered	48	70	38
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# Notes to the Financial Statements

	30.06.13 unaudited	31.12.12 audited	30.06.12 unaudited
<b>4 (LOSS)/RETURN PER ORDINARY SHARE</b>			
Revenue (loss)/return per ordinary share – pence	(0.09)	(0.06)	0.09
Capital return/(loss) per ordinary share – pence	23.61	(4.24)	(1.18)
Total return/(loss) per ordinary share – pence	23.52	(4.30)	(1.09)

The (loss)/return per ordinary share is based on the net (loss)/return on ordinary activities after taxation for the period divided by the weighted average number of ordinary shares in issue during the period.

	30.06.13 unaudited	31.12.12 audited	30.06.12 unaudited
Net revenue (loss)/return on ordinary activities after taxation for the period – £'000	(95)	(55)	85
Net capital return/(loss) on ordinary activities after taxation for the period – £'000	25,565	(4,125)	(1,150)
Net total return/(loss) on ordinary activities after taxation for the period – £'000	25,470	(4,180)	(1,065)
Weighted average number of ordinary shares in issue during the period	108,279,905	97,168,062	97,412,746

# Notes to the Financial Statements

	30.06.13 unaudited shares      £'000		31.12.12 audited shares      £'000		30.06.12 unaudited shares      £'000	
<b>5 SHARE CAPITAL</b>						
<b>Issued, allotted and fully paid:</b>						
<b>Ordinary shares of 25 pence each</b>						
<b>Beginning of the period</b>	96,822,685	24,206	97,447,975	24,362	97,447,975	24,362
Issue of ordinary shares on the conversion of rights attached to subscription shares	17,232,149	4,308	12,710	3	7,902	2
Repurchase of ordinary shares	(100,000)	(25)	(638,000)	(159)	(250,000)	(63)
<b>End of the period</b>	<u>113,954,834</u>	<u>28,489</u>	<u>96,822,685</u>	<u>24,206</u>	<u>97,205,877</u>	<u>24,301</u>
<b>Issued, allotted and fully paid:</b>						
<b>Subscription shares of 5 pence each</b>						
<b>Beginning of the period</b>	17,232,149	862	17,244,859	863	17,244,859	863
Exercise of rights attached to subscription shares and conversion into ordinary shares	(17,232,149)	(862)	(12,710)	(1)	(7,902)	(1)
<b>End of the period</b>	<u>-</u>	<u>-</u>	<u>17,232,149</u>	<u>862</u>	<u>17,236,957</u>	<u>862</u>
<b>Total share capital</b>		<u>28,489</u>		<u>25,068</u>		<u>25,163</u>

The subscription shares were issued as a bonus issue to ordinary shareholders on 11 November 2009 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 pence per subscription share, on the last business day of each month, commencing in February 2010.

The final date to exercise these 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 profits of this sale, being the net proceeds less the 55 pence per share cost of exercising the rights and after deduction of expenses and fees, were paid to the holders of those outstanding subscription shares.

# Notes to the Financial Statements

## 6 NET ASSET VALUE PER ORDINARY SHARE

The undiluted net asset value per ordinary share is based on net assets of £92,923,000 (31.12.12: £58,034,000 and 30.06.12: £61,345,000) and on 113,954,834 (31.12.12: 96,822,685 and 30.06.12: 97,205,877) ordinary shares, being the number of ordinary shares in issue at the period end.

There is no diluted net asset value per ordinary share at 30 June 2013 because all the rights attached to subscription shares were exercised during the period and there are no longer any subscription shares in issue. The diluted net asset value per ordinary share for prior periods has been calculated on the basis of what the financial position would have been if all the rights attached to the outstanding subscription shares (31.12.12: 17,232,149 and 30.06.12: 17,236,957) had been exercised on those dates. This basis of calculation is in accordance with guidelines laid down by the Association of Investment Companies.

## 7 INVESTMENT TRANSACTION COSTS

Transaction costs are incurred on the acquisition and disposal of investments. These are included in the gains/(losses) on investments designated at fair value through profit or loss in the capital column of the Income Statement and are summarised below:

	30.06.13 unaudited £'000	31.12.12 audited £'000	30.06.12 unaudited £'000
Purchases	62	64	24
Sales	48	58	23
	<u>110</u>	<u>122</u>	<u>47</u>

## 8 UNAUDITED FINANCIAL STATEMENTS

The results for the six months to 30 June 2013 and 30 June 2012, which are unaudited, constitute non-statutory accounts within the meaning of Section 435 of the Companies Act 2006. The figures and financial information for the year ended 31 December 2012 are extracted from the latest published financial statements. These financial statements, on which the Independent Auditor gave an unqualified report, have been delivered to the Registrar of Companies.

# Investor Information

## CONTACT INFORMATION

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

**Financial advisers:** can call free on 0800 41 41 81  
8am to 6pm, Monday to Friday.  
[www.fidelity.co.uk/its](http://www.fidelity.co.uk/its)

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

### Holders of ordinary shares

Capita Registrars, 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 from 8.30am to 5.30pm, Monday to Friday).

Email: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

Details of individual shareholdings and other information can also be obtained from the Registrars' website: [www.capitaregistrars.com](http://www.capitaregistrars.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 opposite, 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 36 11 44

Fax: 01737 83 68 92

[www.fidelity.co.uk/its](http://www.fidelity.co.uk/its)

## FINANCIAL CALENDAR

- |                         |                                       |
|-------------------------|---------------------------------------|
| <b>30 June 2013</b>     | - Half-Yearly period end              |
| <b>30 July 2013</b>     | - Announcement of Half-Yearly results |
| <b>Mid August 2013</b>  | - Publication of Half-Yearly report   |
| <b>31 December 2013</b> | - Financial year end                  |
| <b>March/April 2014</b> | - Publication of Annual Report        |
| <b>May 2014</b>         | - Annual General Meeting              |



## BOARD OF DIRECTORS

David Robins (Chairman)  
David Miller, OBE (Senior Independent Director)  
Sir Laurie Magnus (Audit Committee Chairman)  
Simon Fraser  
Philip Kay

## MANAGER, SECRETARY AND REGISTERED OFFICE

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Chartered Accountants and Registered Auditor  
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London  
EC2P 2YU

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One Bunhill Row  
London  
EC1Y 8YY

Speechly Bircham LLP  
6 New Street Square  
London  
EC4A 3LX

# Glossary of Terms

## BENCHMARK

Russell/Nomura Mid-Small Cap Index against which the performance of the Company is measured.

## 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 (which, for the Company's [Contracts For Difference](#) are equity shares, which the Company might otherwise purchase directly). It does not involve the Company buying or selling the underlying asset, only agreeing to receive or pay the movement in its share price. A [Contract For Difference](#) allows the Company to gain access to the movement in the share price by depositing a small amount of cash known as margin. The Company only uses "long" [Contracts For Difference](#). On "long" [Contracts For Difference](#), dividends are received and interest is paid.

If the closing price is higher than the opening price the [Contract For Difference](#) is in profit and it is included within "Derivative assets held at fair value through profit or loss". If the closing price is lower than the opening price the [Contract For Difference](#) is showing a loss and it is included within "Derivative liabilities held at fair value through profit or loss".

## 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 leverage and is usually expressed as a percentage of **shareholders' funds**. It can be obtained 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 shareholders. Correspondingly, if the assets fall in value, **gearing** magnifies the fall. **Contracts For Difference** are used as a way of gaining exposure to the price movements of shares without buying the underlying shares directly.

In a simple example, if a 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**, the more sensitive an investment trust's shares will be to the movements up and down in the value of the investment portfolio.

## 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.

## 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**.

## 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 on capital, excluding any revenue returns; and
- **Total Return/(Loss)** reflects the aggregate of revenue and capital returns.

## 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**.

# Glossary of Terms

## SHAREHOLDERS' FUNDS

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

## TOTAL PORTFOLIO EXPOSURE

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

## TOTAL RETURN PERFORMANCE

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

## Further Information

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

Issued by Fidelity Japanese Values PLC.

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 other more 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. Investees should also note that the views expressed may no longer be current and may have already been acted upon by Fidelity.

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# 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](http://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 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/scams](http://www.fca.org.uk/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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