Fidelity Japanese Values PLC

Annual Report

For the year ended 31 December 2015

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 page 11

Performance (year ended 31 December 2015)

Net Asset Value ("NAV") per Ordinary Share Total Return – undiluted	+24.6%
Ordinary Share Price Total Return	+20.5%
Russell Nomura Mid/Small Cap Index Total Return (in sterling terms)*	+19.4%

* The Company's Reference Index

As at 31 December 2015

Equity Shareholders' Funds	£116.0m
Market Capitalisation	£99.8m
Capital Structure:	
Ordinary shares of 25 pence each	114,218,356
Subscription shares of 0.001 pence each	22,527,339

Standardised Performance – Total Return (%)

	01/01/2015 to 31/12/2015	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
NAV per ordinary share – undiluted	+24.6	+3.1	+31.8	-6.6	-6.2
Ordinary share price	+20.5	0.0	+39.5	-1.7	-8.3
Russell Nomura Mid/Small Cap Index (in sterling terms)	+19.4	+5.1	+21.7	-3.1	-9.3

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

Financial Summary

	2015	2014
Assets at 31 December		
Total portfolio exposure[1]	£135.3m	£113.5m
Shareholders' funds	£116.0m	£92.9m
Total portfolio exposure in excess of shareholders' funds (Gearing – see page 17)	16.6%	22.2%
NAV per ordinary share – undiluted	101.56p	81.48p
NAV per ordinary share – diluted[2]	99.08p	n/a
Stockmarket data at 31 December		
Russell Nomura Mid/Small Cap Index (in sterling terms)	2.7042	2.2654
Yen/£ exchange rate	177.303	186.946
Ordinary share price at the year end	86.75p	72.00p
year high	88.00p	75.75p
year low	71.00p	64.75p
Discount – undiluted at the year end	14.6%	11.6%
year high	17.7%	17.8%
year low	6.7%	2.8%
Subscription share price at the year end	3.13p	4.25p
year high	7.25p	4.25p
year low	1.50p	3.75p
Total returns for the year to 31 December		
NAV per ordinary share – undiluted	+24.6%	+3.1%
Ordinary share price	+20.5%	+0.0%
Russell Nomura Mid/Small Cap Index (in sterling terms)	+19.4%	+5.1%
Results for the year to 31 December – see page 39		
Revenue loss per ordinary share	(0.14p)	(0.45p)
Capital return per ordinary share	20.24p	2.91p
Total return per ordinary share	20.10p	2.46p
Ongoing charges for the year to 31 December[3]	1.52%	1.62%

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 31 December 2014 as the net asset value per ordinary share was below the 86.50 pence exercise price of a subscription share

3 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

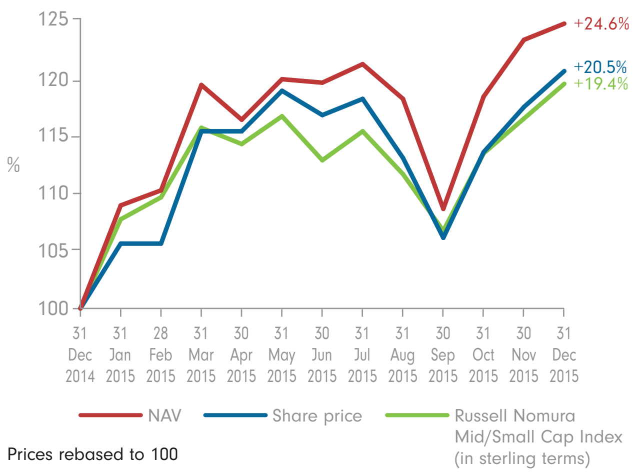
David Robins
Chairman

I have pleasure in presenting the Annual Report of Fidelity Japanese Values PLC for the year ended 31 December 2015.

PERFORMANCE REVIEW

Despite the major setback suffered by the Japanese market in the second half of 2015, arising from concerns over the slowdown in China and the likelihood of a rise in US interest rates, I am pleased to be able to report that over the year to 31 December 2015, the Company's net asset value rose by 24.6% to 101.56p per share, substantially beating the Russell Nomura Mid/Small Cap Index, which rose by 19.4% in sterling terms. The share price also went up, but only by 20.5% per share to 86.75p, as the Company's share discount to NAV widened to 14.6%. This was in line with a widening of discounts for Asian investment trusts and emerging market funds generally.

Performance for the year to 31 December 2015



Prices rebased to 100

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

PORTFOLIO MANAGER

At the end of July 2015 we announced that the Company's Portfolio Manager would change from Shinji Higaki to Nicholas Price, effective from 1 September 2015. The Board took this decision as it felt that the long term performance of the Company versus its peer group had not been satisfactory despite the Company's outperformance of the Reference Index. We are grateful for Shinji's eight years of service to the Company and the undoubted hard work that he put into the management of the Company's portfolio. The Board also wishes him well in his new role as Finance Director of a small Japanese company.

In his successor, Nicholas Price, we believe we have managed to find a Portfolio Manager who will be a great fit for the Company. Nicholas is a highly experienced Japanese equities manager and has an excellent track record on the funds he has run to date. He is a "growth at a reasonable price" manager with a natural bias towards mid and small cap companies.

RESULTS AND DIVIDENDS

The revenue column of the Income Statement on page 39 shows a net loss on ordinary activities after taxation for the year of £160,000 (2014: £509,000). As the revenue reserve remained substantially in deficit at 31 December 2015, the Directors do not recommend the payment of a dividend. However, as Japanese companies are beginning to raise their dividend pay-out ratios generally, this is an issue which the Board will continue to monitor closely.

GEARING

The Company is permitted to gear through the use of long Contracts for Difference ("CFDs"). Total portfolio exposure at the end of the year was £135.3m, equating to gearing of 16.6% compared with 22.2% at the end of 2014. Further information can be found on pages 11 and 12 of the Strategic Report.

With the change of Portfolio Manager, the Board concluded that a revision to the Company's gearing guidelines would be appropriate. Whilst the previous Manager tended to remain fairly fully geared on the Board's instruction, Nicholas Price has agreed with the Board that he is likely to want to use gearing more dynamically. The Board has therefore given him discretion to move between being 25% geared to holding 5% net cash.

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

Chairman's Statement

MANAGEMENT FEE ARRANGEMENTS AND ONGOING CHARGES

Shareholders may recall that the management fee was reduced on 1 January 2014 from 1.00% to 0.85% of gross assets. As a result ongoing charges were 1.62%. During 2015, Fidelity, on behalf of the Board, negotiated a reduction in fees paid to third party providers. These efforts resulted in a further decline in the Company's ongoing charges to 1.52% in 2015. This places the Company below the average of the peer group (at 1.65%), but the Board will continue to monitor costs very closely and will keep the management fee under review.

THE BOARD

Following the recruitment of two new Board Directors in 2014, the Board has operated with six members since last year's Annual General Meeting ("AGM"). At the conclusion of this year's AGM, David Miller will be stepping down from the Board, bringing the number back down to five. I would like to take this opportunity to thank him on behalf of the Board and shareholders for his invaluable contribution over the last eleven years, and for his support as Senior Independent Director. Philip Kay has kindly agreed to take over from David Miller as the Company's Senior Independent Director following the AGM.

SUBSCRIPTION SHARES

On 26 August 2014, the Company undertook a bonus issue of subscription shares to ordinary shareholders on the basis of one subscription share for every five ordinary shares held. The subscription shares were allotted to qualifying ordinary shareholders at no cost. The exercise price was set at 86.50 pence.

The rights attaching to a total of 215,981 subscription shares were exercised in respect of the year ended 31 December 2015, at which point the total number of subscription shares in issue was 22,527,339. The final date for exercising the rights to subscription shares will be 29 April 2016. As at 29 March 2016, the diluted net asset value per ordinary share (including income) was 103.24p. Further details of the subscription shares may be found in the Directors' Report on page 24 and in Note 13 on page 48.

SHARE REPURCHASES

Purchases of ordinary and subscription shares for cancellation are made at the discretion of the Company and within guidelines set from time to time by the Board. Share repurchases are made in the light of prevailing market conditions, together with their impact on liquidity and gearing. Shares will only be repurchased when the result is an enhancement to the net asset value of the ordinary shares for the remaining shareholders. No shares were repurchased during the year (2014: nil) for cancellation. Since 1 January 2016 and as at the date of this report, the Company has repurchased [420,000] ordinary shares.

TREASURY SHARES

In order to assist in managing the discount, the Board has decided to seek shareholder approval to hold in Treasury any ordinary shares repurchased by the Company, rather than cancelling them. The Treasury shares would carry no voting rights or rights to receive a dividend and would have no entitlement in a winding up of the Company. No more than 5% of the issued ordinary share capital of the Company would be held in Treasury. Any shares held in Treasury would only be re-issued at NAV per share or at a premium to NAV per share. This would ensure that the net effect of repurchasing and then re-issuing the ordinary shares would enhance NAV per share. The Board is seeking shareholder approval to implement these recommendations at the forthcoming AGM.

VIABILITY STATEMENT

In accordance with the 2014 UK Corporate Governance Code, the Directors are now required to report on the viability of the Company over a longer period than the twelve month period required by the Going Concern statement which is on page 23. This new statement can be found on page 13.

CONTINUATION VOTE

In accordance with the Articles of Association of the Company, an ordinary resolution that the Company continue as an investment trust for a further three years was passed at the 2013 AGM. A further continuation vote will be proposed at this year's AGM.

The Company's NAV total return over the last three years was 69.4% compared to the Reference Index return of 52.6%, whilst the share price rose by 68.0%. The Company's share price has been at a discount to NAV in the past three years as follows: 8.9% (at 31.12.2013); 11.6% (at 31.12.2014); and 14.6% (at 31.12.2015).

As mentioned earlier in this report the Board took steps last year to change the Portfolio Manager in order to address the unsatisfactory long term performance of the Company against its peer group. Further, since the start of this year, the Board has worked closely with its broker on establishing a buyback programme in order to manage the Company's discount, to the extent possible, having regard to recent market volatility and the size of the Company.

Therefore your Board recommends that shareholders vote in favour of the continuation vote. If the vote is passed, a further continuation vote will take place at the Annual General Meeting in 2019.

AGM

The AGM will be held at 12:00pm on 24 May 2016 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

It appears that the Japanese market continues to offer exciting opportunities. With the potential shift from deflation to inflation and from contraction to growth, Japan is arguably on the cusp of a sustained recovery.

Chairman's Statement

Unemployment has declined and is approaching 3%, which means that more households are earning an income, and the prospects for further wage increases are improving. While the core CPI number is still running below the Bank of Japan's 2% target, it has been substantially affected by the drop in the oil price over the past year. However, this energy price decline is actually a huge boost for Japan as a country which imports all required fossil fuels. So-called "core-core" inflation, which strips out the effects of falling oil prices, is around 1%. This means that as individuals and companies make decisions about consumption and investment, they are more likely to make positive choices.

The key challenge for Japan is to remain focused on the reform agenda. Japan has had loose monetary policy for a sustained period of time and what is really needed is a fundamental pick up in end demand. The employment picture is improving, inflation is gradually picking up and what really matters now is the continuation of the government's reform agenda. In this respect, Upper House elections in the summer, and possibly a general election, will be crucial for Prime Minister Abe in retaining the level of support required to push his reform agenda through.

The improvements in corporate governance that we are seeing are very important for equity investors. Japanese companies are actively taking steps to improve capital efficiency and return on equity ("RoE"), and are delivering record levels of cash to shareholders. Fidelity believes that the Japanese market's RoE should average around 11% over the next 2-3 years.

The world's third biggest economy may be on the verge of returning to economic relevance for capital markets. This is not factored into share prices and it is certainly not reflected in investors' portfolios. Japan has an improving fundamental story, micro-level reforms are progressing well and valuations are reasonable.

David Robins
Chairman
31 March 2016

Portfolio Manager's Review

NICHOLAS PRICE
Portfolio Manager from 1 September 2015.

PORTFOLIO MANAGER AND INVESTMENT APPROACH

Nicholas began his investment career over 20 years ago as a research analyst at Fidelity's Tokyo office and has been running Japanese equity portfolios for both domestic and overseas clients for 15 years. Through more than two decades of experience, he has developed a rigorous, bottom-up investment approach based on in-depth fundamental research of individual companies, underpinned by a strong sell discipline.

Nicholas follows a 'growth at a reasonable price' approach, utilising Fidelity's local research capability as well as its broader global network. In addition, he also conducts his own research, looking for undercovered names by joining the dots between multiple information sources in order to get ahead of the market. In this way, he uses input from a number of perspectives, including venture capital companies, regulators, academic research, non-listed companies etc. Nicholas typically attends more than 300 company and related meetings per year and looks closely at a company's business model, particularly in terms of sustainability and barriers to entry, valuations, liquidity and potential upside versus downside.

Detecting signs of change is also a key pillar of his investment approach:

- **Changes in fundamentals** – internally driven, such as market share growth stemming from the introduction of highly competitive new products or a company going global.
- **Changes in environment** – such as a change in consumer mindset and greater willingness to buy online, fuelling strong growth in internet sales.
- **Changes in sentiment** – such as the gap between mid term growth opportunities and overly pessimistic short term market sentiment.
- **Changes in valuations** – such as valuation criteria changing from price-to-book (liquidation value) to price-to-earnings (going-concern value).

Overall, Nicholas tends to invest more in mid cap growth companies where he believes he can find better business models and RoE, and where management is more incentivised in terms of shareholder returns. Being relatively young and dynamic, small 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. Over time, areas such as internet services, Asian consumption, finance and environmental themes have yielded rewarding investment ideas.

TRANSITION OF THE PORTFOLIO

Following the transition of Portfolio Manager, the Company has shifted slightly up the market cap scale, with a weighted median market cap of £2.7 billion. This compares with £1.2 billion under the previous Portfolio Manager and £3.4 billion for the Reference Index. The Company continues to show a clear tilt towards mid and small cap growth stocks. Since the transition, the Company has looked to invest in stocks and sectors which are showing signs of improving corporate governance resulting from the Abenomics programme, and has also taken advantage of the theme of Chinese tourist spending in Japan. Since the transition, there has been a significant increase in the Company's weighting in the Machinery, Chemicals and Other Finance sectors. In Machinery, the Company has taken a positive view of companies which benefit from automation, such as the mechanisation of agriculture across emerging Asia. In the Chemicals sector, attractive opportunities have been identified in fields such as veterinary drugs for animals, whilst in the Other Financials area, the Company has initiated positions in non-bank financial services companies, which have tended to offer better opportunities for growth, as well as higher shareholder returns. On the other hand, since the transition the Company has reduced weightings in the Precision Instruments and Insurance sectors as better opportunities were identified elsewhere.

MARKET REVIEW

The year under review was a tale of two halves for the Japanese equity market. The market performed strongly in the first half as economic conditions continued to recover from the recession of 2014 triggered by the hike in consumption tax. There was a notable pickup in buying by overseas investors as signs of improving corporate governance and expectations for further growth in corporate earnings bolstered sentiment. Large cap stocks generally performed well, as the yen continued to gently depreciate against the backdrop of the Bank of Japan's quantitative easing programme.

However, Japanese stocks corrected sharply in August as shares and commodity prices fell globally amid intensifying concerns about a slowdown in China and problems in emerging markets more generally. In the third quarter, the broad-based TOPIX index suffered its worst quarterly decline since June 2010. Overseas investors were aggressive net sellers of Japanese stocks as the sell-off in global equity markets continued into September. Prime Minister Shinzo Abe laid out three new policy arrows (a strong economy, parenting support and social security reform), but the announcement was light on details and the market impact was muted. After a slight recovery in October and November, the market ended the year on a weak note, with a further big sell-off in December.

Against this backdrop, the performance gap between domestic and external demand-oriented stocks widened significantly. Defensive stocks and beneficiaries of lower oil prices outperformed, whereas the energy, materials and industrials sectors were conspicuous laggards.

Portfolio Manager's Review

PERFORMANCE REVIEW

As noted in the Chairman's Statement, the Company's NAV increased from 81.48p to 101.56p during the year under review, and outperformed the Reference Index.

As demonstrated by the attribution analysis below, the market's movement contributed 13.2% to the increase in the NAV per share, whilst stock selection and gearing both added 2.5%, respectively. The appreciation of the yen against the pound, particularly during the second half of the year, produced a positive exchange rate effect, which contributed 6.3% to the increase in the Company's NAV.

The attribution analysis below shows how the increase in NAV has been achieved.

Analysis of change in NAV during the year (%)	
Impact of:	
Reference Index (in yen terms)	+13.2
Reference Index income (in yen terms)	+1.9
Stock selection (relative to the Index)	+2.5
Gearing (yen)	+2.5
Exchange rate	+6.3
Charges	-1.8
Total return for the year ended 31 December 2015	**+24.6**

Over the year, stock selection in the services sector was the principal driver of the Company's outperformance relative to the Reference Index. Three of the top ten contributors to performance over the year were online businesses, namely Kakaku.com, Septeni Holdings and M3. In addition, hotel and resort operator Fujita Kanko, a recent addition to the portfolio, performed well on an increase in hotel room rates and a recovery at its hot spring resort business.

Among financials, notable performers included Anicom Holdings, a pet insurance company, and Financial Products Group, a provider of financial services for small companies seeking tax-efficient investments. These stocks have added value over a number of years, but as their valuations started to look stretched, these positions were sold.

In the retail sector, MonotaRO, an online supplier of factory-use consumables, and Seria, an operator of discount stores, made material contributions to returns. However, this was tempered by the disappointing performance of some inbound tourism-based stocks towards the end of the year. Both positions were sold.

Elsewhere, holdings in Asahi Intecc, a maker of specialised medical tools, and Ono Pharmaceutical, a mid-sized drug company renowned for its anti-cancer treatments, were notable outperformers. Some profits were taken following their share price gains, but overweight positions in both companies were retained.

Conversely, stock selection in the information and communication sector detracted from performance. One of the largest detractors in 2014, WirelessGate (a provider of Wi-Fi services in public spaces) continued to struggle and the position was sold. Mobile Create Company, a provider of mobile management systems to transportation operators, lost ground as rising development costs resulted in disappointing earnings results. This stock was also sold. A new position in mobile carrier SoftBank also hurt performance, but looks attractive from a mid to long term perspective.

The tables below show the principal five contributors to, and principal five detractors from, the Company's performance relative to the Reference Index.

Principal contributors to relative return	Sector	Relative average weight (%)	Contribution to relative returns (%)
Anicom Holdings	Insurance	1.6	+1.3
Asahi Intecc	Precision Instruments	1.8	+1.3
MonotaRO	Retail Trade	0.9	+1.3
Kakaku.com	Services	1.6	+0.9
Seria	Retail	2.0	+0.9

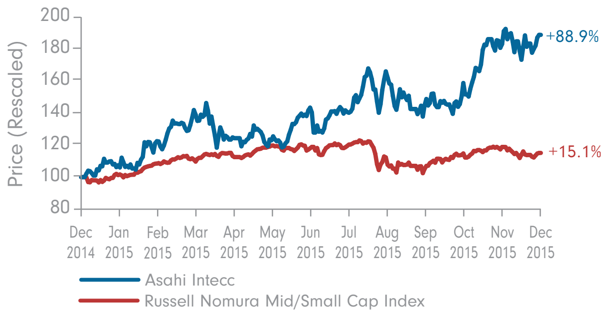
Principal detractors to relative return	Sector	Relative average weight (%)	Contribution to relative returns (%)
Mobile Create Company	Information & Communications	1.2	-1.3
WirelessGate	Information & Communications	1.9	-1.3
Rohm	Electrical Appliances	2.4	-1.2
SoftBank	Information & Communications	1.3	-0.7
Nihon Nohyaku	Chemicals	0.8	-0.7

Portfolio Manager's Review

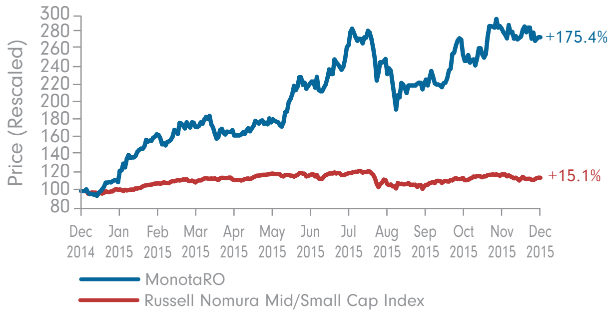
PRINCIPAL CONTRIBUTORS

Anicom Holdings is a niche insurance company that specialises in policies for pets, commanding 60% of Japan's pet insurance market. The company reported solid results for the financial year to 31 March 2015 and the first half of the financial year to 31 March 2016. In addition to an increase in insurance premiums, growth in new policies and measures to hold down the loss ratio contributed to a clear improvement in profitability. Although these measures are expected to continue to contribute to margin expansion in the near term, they have been fully discounted in the price and valuations appeared expensive. Therefore, the stock was sold in September 2015.

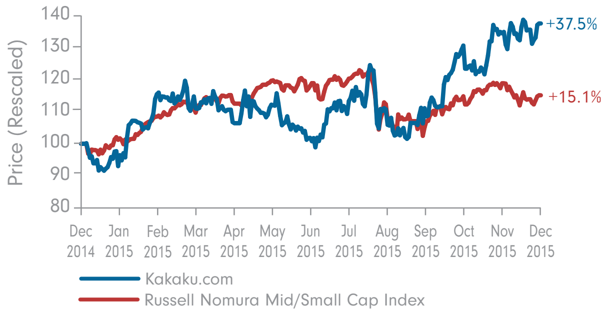
Asahi Intecc manufactures medical tools, as well as industrial-use stainless wire rope. The company continued to generate strong profit momentum as it increased its market share for mainstay products (both in Japan and overseas) and enhanced its product line-up. Demand for Asahi Intecc's niche guide wires (used to navigate medical devices) and micro catheters remains strong. We expect the company to continue to achieve high growth owing to its expanding market share.



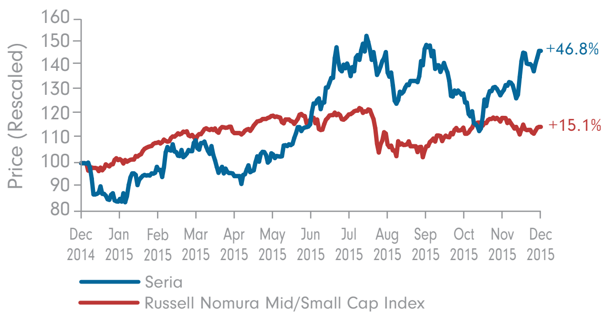
MonotaRO is an online supplier of factory-use consumables to small businesses. It has gained significant market share in the maintenance, repair, and operations market for small factories through its e-commerce model. The company maintained robust levels of sales growth, supported by its superior products and aggressive promotion strategy. Its margins also improved because of higher royalty income and operational streamlining. Although MonotaRO continues to generate strong earnings momentum, the positive story is already priced in and its valuation appears expensive. The stock was therefore sold in September 2015.



Kakaku.com operates online price comparison and restaurant services websites. The company announced favourable interim results, supported by firm growth in sales at Tabelog (an extensive online directory of information about restaurants and eating places in Japan) and new media. It also reasserted its commitment to increase shareholder returns and to maintain a 40% RoE over the medium term. Kakaku.com remains a top pick as a structural winner in the expanding e-commerce market.



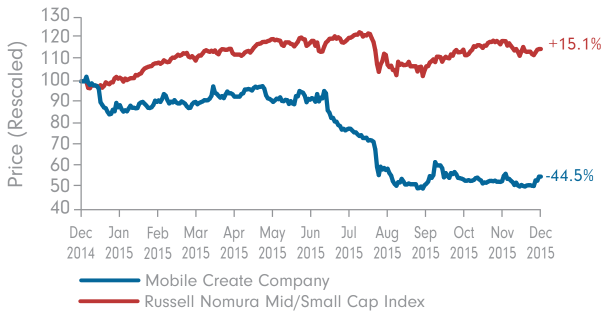
Seria operates a nationwide chain of 100-yen shops in Japan, the equivalent of a pound store in the UK. It has the second largest share of the domestic market and a strong track record in generating same-store sales. The company's competitive advantage lies in its precise control of inventory, which has contributed to top-line growth and improved profit quality. On the expectation that margins would falter as a weaker yen inflated its costs, the stock was sold in September 2015.



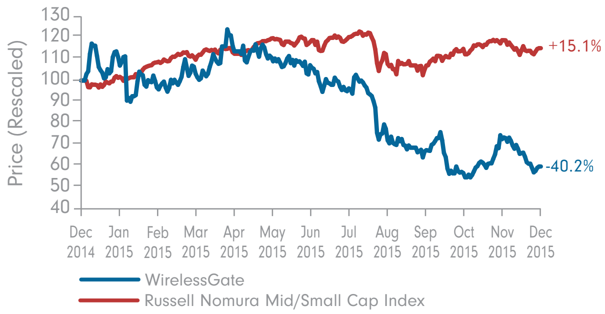
Portfolio Manager's Review

PRINCIPAL DETRACTORS

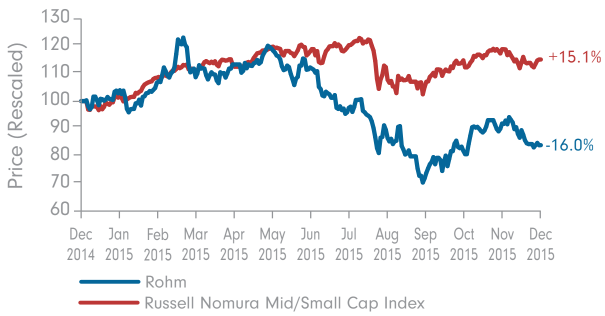
Mobile Create Company provides information technology (IT) services (including vehicle tracking, wireless communication and electronic payment systems) predominantly to the taxi and bus industries in Japan. It reported lower-than-expected earnings results and issued weak forecasts due to rising development costs for its main product – integrated circuit cards (also known as smart rechargeable cards) used on trains and buses. As a result, the stock was sold in October 2015.



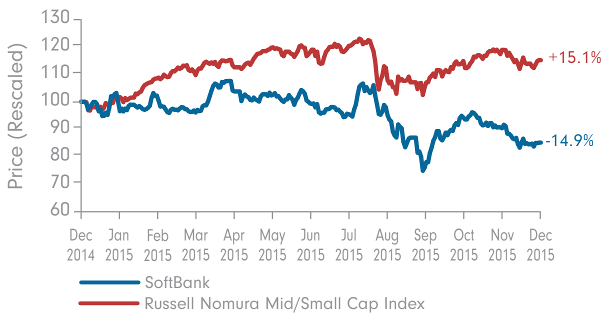
WirelessGate a provider of Wi-Fi services in public spaces in Japan, continued to struggle. Its profit margins came under pressure owing to the start-up costs of a new high-speed connection service. Its share of large Wi-Fi infrastructure projects for corporate customers remained limited. Increased competition in the personal SIM card segment represented an additional headwind. In light of these factors, the position was sold in October 2015.



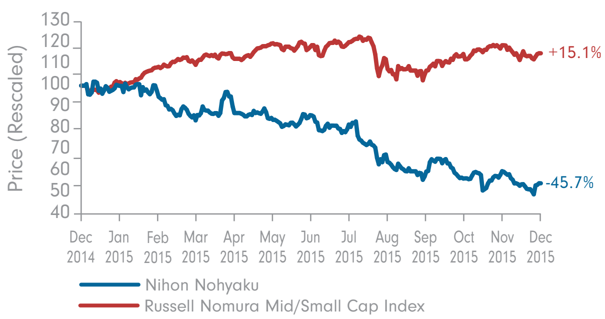
Rohm is a leading manufacturer of custom integrated circuits and semiconductor devices with a high in-house production ratio. Concerns about a correction in the semiconductor market continued to weigh on the company's share price. However, Rohm remains well placed to capitalise on the structural growth in automotive and industrial semiconductors. Its commitment to enhancing shareholder returns by returning 100% of free cashflow is also appealing, so the position remains in the portfolio.



SoftBank is a leading provider of communication and internet services, and ranks among Japan's top three mobile carriers. The stock was added to the portfolio in September and whilst performance has improved, the stock has continued to lag the Reference Index primarily due to significant uncertainty surrounding potential regulatory changes. The lack of near term momentum at its overseas businesses, particularly its US wireless unit Sprint, has also weighed on its shares. However, SoftBank's domestic telecommunications business remains a stable source of income. Furthermore, the turnaround at Sprint is also on track and therefore SoftBank's share price appears to be fundamentally undervalued.



Nihon Nohyaku is a leading producer of insecticides and fungicides. Its weak share price performance reflected concerns about a short term slowdown in earnings, as an increased inventory of insecticides in Brazil appeared likely to decrease royalty income from Bayer Corp Science for the use of Nihon Nohyaku's products. In addition to the near term downside in earnings, the likely impact of a patent expiry in 2019 for Nihon Nohyaku's main product, Belt, could be more severe than initially expected. As a result, the position was sold in May 2015.



Portfolio Manager's Review

OUTLOOK

The external economic environment, centred on China and other emerging markets, is generating a high level of uncertainty. However, conditions in developed countries are relatively firm and the recent market correction in Japan appears excessive relative to the change in external fundamentals. Monetary conditions in Japan should remain highly accommodative throughout 2016, contrasting with the onset of a moderate tightening cycle in the US. The Japanese market should continue to recover, supported by gradual wage hikes. This being the case, corporate Japan can be expected to deliver another year of positive earnings growth in 2016.

The three arrows of Abenomics (Prime Minister Shinzo Abe's economic policies) have produced mixed results, with success in monetary policies and micro-level reforms contrasting with the lack of progress on deregulation and other complex structural issues. Abenomics 2.0 aims to boost the momentum of the initial policy agenda and to tackle Japan's longer term challenges. The coming year will therefore mark the start of a medium term initiative, which should form the basis for sustainable growth in the domestic economy. Measures to lift productivity and deal with Japan's declining population will be key.

We are also likely to see progress in the introduction of new technologies, (including self-driving vehicles, robotics and artificial intelligence), as well as support for both working seniors and families.

The desire for reform in Japan remains firm and the corporate sector is changing for the better. Japanese companies are committed to improving capital efficiency and RoE, and many are actively using free cash flow to improve shareholder returns. Established companies are refocusing on core competencies, and cash-rich corporates are starting to deploy more of their surplus funds towards investment. As pressure mounts on companies to explain the economic rationale for cross shareholdings between companies, the pace of share buybacks is likely to accelerate. While the rate of change varies on a company-by-company basis, this commitment to broad-based reforms is clearly good news for investors and should contribute to the performance of your Company.

Nicholas Price
Portfolio Manager
31 March 2016

Strategic Report

The Directors have pleasure in presenting 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 and 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.

OBJECTIVE

The Company's 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.

STRATEGY

In order to achieve this objective, the Company operates as an investment company which has an actively managed portfolio of investments, consisting of Japanese listed companies.

As part of the strategy, the Board has delegated the management of the portfolio and other services. The Portfolio Manager aims to achieve a total return on the Company's total assets over the longer term in excess of the Reference Index, the Russell Nomura Mid/Small Cap Index, as expressed in sterling. The stock selection approach adopted by the Portfolio Manager is considered to be well suited to achieving the objective. The Board takes the view that investing in equities is a long term process, and that the Company's returns to shareholders will vary from year to year. The Board takes the view that long term returns for shareholders can be enhanced by the use of gearing in a carefully considered and monitored way. The level of gearing is reviewed by the Board and the Portfolio Manager on a regular basis.

The Board has reviewed the summary of the year's activities and is in agreement with the indications of likely future developments and the factors likely to affect these which are given in the Chairman's Statement and in the Portfolio Manager's Review on pages 3 to 10..

INVESTMENT POLICY

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

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

INVESTMENT MANAGEMENT PHILOSOPHY, STYLE AND PROCESS

The Portfolio Manager's investment approach is focused on 'growth at a reasonable price', utilising Fidelity's extensive research capability. His investment approach and bias towards mid and small cap growth stocks fits well with the Company's investment philosophy and style.

INVESTMENT RESTRICTIONS

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

- A maximum of 7.5% in the aggregate of all securities of any one company or other investment entity (10% for any group of companies) at the time of purchase, which is further limited to 12% of the Company's equity portfolio based on the latest market value.
- A maximum of 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 (the Company would not normally make any such investment except where the Manager expects that the securities would shortly become registered for trading on the OTC market or become listed on a Japanese stockmarket).
- A maximum of 30% of its assets (at the time of acquisition) in equity-related and debt instruments. The Company may also invest in derivatives for efficient portfolio management to protect the portfolio against market risk. Any such investment would normally be at a low level as the Company invests primarily in shares.
- A maximum of 15% of the Company's total assets may be invested in the securities of other investment trust companies.
- The maximum that the Company can hold in cash would be 25% of the total value of the Company's assets. 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. Currently the Portfolio Manager has discretion to hold 5% net cash.

GEARING

The Company's policy is to be geared in the belief that long term investment returns will exceed the cost of gearing. This gearing is obtained 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.

Strategic Report

The aggregate exposure of the Company to Japanese equities, whether held directly or through CFDs, will not exceed shareholders' funds by more than 30% at the time any CFD is entered into or a security acquired. The Board also intends that the exposure will not exceed shareholders' funds by more than 40% at any other time unless exceptional circumstances exist. Currently the Portfolio Manager has discretion to be 25% geared.

At the year end the Company was 16.6% geared (2014: 22.2%).

PERFORMANCE

The Company's performance for the year ended 31 December 2015 and details on trends and factors that may impact the future performance of the Company are included in the Chairman's Statement and the Portfolio Manager's Review on pages 3 to 10. The Portfolio Listing, Gearing, Distribution of the Portfolio, Ten Year Record and Summary of Performance Charts are on pages 15 to 21.

RESULTS

The Company's results for the year ended 31 December 2015 are set out in the Income Statement on page 39. The total return per ordinary share was 20.10 pence of which the revenue return was a loss of 0.14 pence.

KEY PERFORMANCE INDICATORS

The key performance indicators ("KPIs") used to determine the performance of the Company and which are comparable to those reported by other investment trusts are set out below.

	Year ended 31 December 2015 %	Year ended 31 December 2014 %
NAV per share[1] (undiluted)	+24.6	+3.1
Share Price[1]	+20.5	+0.0
Russell Nomura Mid/Small Cap Index[1]	+19.4	+5.1
Discount to NAV (undiluted)	14.6	11.6
Ongoing Charges[2]	1.52	1.62

1 Total returns (includes reinvested income)
2 The Board regularly considers the costs of running the Company to ensure they are reasonable and competitive

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

As well as the KPIs above, the Board regularly reviews the Company's performance against its peer group of investment trusts. Long term performance is also monitored and the Ten Year Record and the Summary of Performance Charts on pages 19 to 21 show this information.

PRINCIPAL RISKS AND UNCERTAINTIES

As required by provision C.2.1 of the UK Corporate Governance Code 2014, the Board has a robust ongoing process for identifying, evaluating and managing the principal risks faced by the Company and this is reviewed on a regular basis.

The Board is responsible for the Company's system of risk management and of internal controls and for reviewing its effectiveness. It determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives. 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 at each of its meetings.

The Alternative Investment Fund Manager, FIL Investment Services (UK) Limited, also has responsibility for risk management for the Company. It works with the Board to identify and manage the principal risks and to ensure that the Board can continue to meet its UK corporate governance obligations.

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

Market Risk

The Company's assets consist mainly of listed securities and the principal risks are therefore market related such as market downturn, interest rate movements and exchange rate movements. The Portfolio Manager's success or failure to protect and increase the Company's assets against this background is core to the Company's continued success.

Risks to which the Company is exposed and which form part of the market risk category are included in Note 16 to the Financial Statements on pages 49 to 53 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 Board reviews risk at each Board meeting, considers the asset allocation of the portfolio and the risk associated with Japan and industry sectors within the parameters of the investment objective and strategy. The Portfolio Manager is responsible for actively monitoring the portfolio selected in accordance with the asset allocation parameters and seeks to ensure that individual stocks meet an acceptable risk/reward profile. The emphasis is on long term results as the Company risks volatility of performance in the shorter term.

The Board appointed a new Portfolio Manager from 1 September 2015. This change incurred a degree of transition risk as the new Portfolio Manager made changes to the portfolio and gearing levels.

Discount Control Risk

The Board cannot fully control the discount at which the Company's ordinary share price trades in relation to net asset value. However, it can have a modest influence in the market by maintaining the profile of the Company through a marketing campaign and, under certain circumstances, through repurchasing shares. The Company's share price, NAV and

Strategic Report

discount volatility are monitored daily by the Manager and considered by the Board regularly.

Gearing Risk
The Company has the option to make use of loan facilities or to use CFDs to invest in equities. The principal risk is that, while in a rising market the Company will benefit from gearing, in a falling market the impact would be detrimental. Other risks are that the cost of gearing may be too high or that the term of the gearing is inappropriate in relation to market conditions. The Company currently has no bank loans and gears through the use of long CFDs. Utilising long CFDs for gearing purposes provides greater flexibility and has been significantly cheaper than traditional bank loans. The Board regularly considers the level of gearing and gearing risk and sets limits within which the Portfolio Manager must operate.

Currency Risk
The functional currency of the Company in which it reports its results is UK sterling; however, most of its assets and its income are denominated in yen. Consequently, it is subject to currency risk on exchange rate movements between UK sterling and yen. It is the Company's policy not to hedge against currency risks. Further details can be found in Note 16 to the Financial Statements on pages 49 to 53.

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 London Stock Exchange or a qualified audit report. The Board receives regular reports from the Manager confirming regulatory compliance during the year.

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 and Custodian both of whom are monitored and managed by the Manager in the context of the Company's assets and interests on behalf of the Board. The Depositary, under a tri-partite agreement, oversees the custody of investments and cash. 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 and Custodian are subject to a risk-based programme which is monitored by the Manager. In addition, service providers' own internal controls reports are received by the Board and any concerns investigated.

Although 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.

Other Risks
A continuation vote takes place every three years. There is a risk that shareholders may not vote in favour of continuation during periods when performance is poor. The next continuation vote will take place at this year's AGM on 24 May 2016.

VIABILITY STATEMENT
In accordance with provision C.2.2 of the UK Corporate Governance Code, issued by the Financial Reporting Council in September 2014, the Directors have assessed the prospects of the Company over a longer period than the twelve month period required by the "Going Concern" provision. The Company is an investment trust with an objective of achieving long term capital growth and the Board consider three years is an appropriate investment horizon to assess the viability of the Company. This time period is also consistent with the Company's continuation vote which takes place every three years, the next one taking place at this year's AGM.

The Board has taken account of the Company's current position, the principal risks that it faces and their potential impact on its future development and prospects, the Company's investment objective and strategy, the investment capabilities of the Manager and the current outlook for the Japanese economy and equity market. The Directors, therefore, confirm that they have a reasonable expectation that, subject to shareholders voting in favour of continuation at this year's AGM, the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of assessment.

BOARD DIVERSITY
The Board carries out any candidate search against a set of objective criteria on the basis of merit, with due regard for the benefits of diversity on the Board, including gender. As at 31 December 2015, there were five male Directors and one female Director on the Board.

EMPLOYEE, SOCIAL, COMMUNITY, HUMAN RIGHTS AND ENVIRONMENTAL ISSUES
The Company has no employees and all of its Directors are non-executive and it therefore has no disclosures to make in respect of employees and human rights.

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.

Details about Fidelity's own community involvement may be found on its website at www.fidelity.co.uk.

SOCIALLY RESPONSIBLE INVESTMENT
The Manager believes that high standards of corporate social responsibility ("CSR") make good business sense and have the potential to protect and enhance investment returns. Consequently, its investment process takes social, environmental and ethical issues into account when, in its view, these have a material impact on either investment risk or return.

Strategic Report

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.

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

Some trends likely to affect the Company in the future are common to many investment companies together with the impact of regulatory change. The factors likely to affect its future development, performance and position are set out in the Chairman's Statement and the Portfolio Manager's Review on pages 3 to 10.

By order of the Board
FIL Investments International
Secretary
31 March 2016

Portfolio Listing as at 31 December 2015

The Portfolio Exposures shown below measure exposure to market price movements as a result of owning shares and long CFDs. The Fair Values shown measure the actual value on the Balance Sheet.

Shares and long CFDs	Portfolio Exposure £'000	%[1]	Fair Value £'000
Kubota Manufacturer of tractors and heavy equipment	7,611	6.6	7,611
AEON Financial Service Provider of loans, credit cards and customer instalment credits	7,324	6.3	7,324
Nissan Chemical Industries Producer of chemicals, agrochemicals and pharmaceutical products	7,173	6.2	7,173
Kakaku.com Provider of price comparison services, product information and internet advertising services	5,602	4.8	5,602
Orix (long CFD)[2] Provider of leasing, real estate loans, life insurance, banking and consumer finance	4,673	4.0	(35)
SoftBank (long CFD)[2] Provider of telecommunication services including ADSL and fibre optic Internet connection	4,584	4.0	(107)
Rohm (long CFD)[2] Manufacturer and distributor of electronic components	4,036	3.5	(975)
Zojirushi Manufacturer of kitchen appliances, heat-insulating containers and environmental equipment	3,747	3.2	3,747
Makita Manufacturer of electric power tools	3,634	3.1	3,634
Mazda Motor (shares and long CFD)[2] Manufacturer of cars, trucks and auto parts	3,506	3.0	2,183
Ten largest exposures (2014: 26.0%)	**51,890**	**44.7**	**36,157**
Keyence	3,215	2.8	3,215
Rinnai	3,021	2.6	3,021
J Front Retailing	2,965	2.6	2,965
M3 (long CFD)[2]	2,890	2.5	152
Nippon Shinyaku	2,842	2.5	2,842
Shionogi	2,805	2.4	2,805
Kao	2,345	2.0	2,345
Ferrotec	2,282	2.0	2,282
Ono Pharmaceutical (long CFD)[2]	2,202	1.9	892
Fujita Kanko	2,181	1.9	2,181
Ryohin Keikaku	2,168	1.9	2,168
Ai Holdings	2,161	1.9	2,161
H.I.S.	2,040	1.8	2,040
Aska Pharmaceutical	2,030	1.8	2,030
NITTA Corporation	1,949	1.7	1,949
ASICS Corporation	1,948	1.7	1,948
Septeni Holdings	1,927	1.7	1,927
Shinoken Group	1,912	1.6	1,912

Portfolio Listing as at 31 December 2015

Shares and long CFDs	Portfolio Exposure £'000	%[1]	Fair Value £'000
Hoshizaki Electric	1,816	1.6	1,816
Sakata INX Corporation	1,781	1.5	1,781
Okamoto Industries	1,755	1.5	1,755
THK Co	1,725	1.5	1,725
Tasaki Shinju	1,507	1.3	1,507
Eiken Chemical	1,444	1.2	1,444
Asahi Intecc	1,431	1.2	1,431
Kotobuki Seika	1,268	1.1	1,268
Kyoritsu Maintenance	1,203	1.0	1,203
Descente	1,164	1.0	1,164
Start Today	1,150	1.0	1,150
Open House	1,136	1.0	1,136
Piolax	1,078	0.9	1,078
Nichias	1,025	0.9	1,025
PC Depot	1,024	0.9	1,024
Nihon Flush	1,016	0.9	1,016
Optex	1,007	0.9	1,007
Nakamura Choukou	971	0.8	971
Juki	913	0.8	913
Mitsubishi Pencil	913	0.8	913
Sinko Industries	895	0.8	895
Yamabiko	830	0.7	830
Daikin Industries	823	0.7	823
Gurunavi	788	0.7	788
Apamanshop Holdings	786	0.7	786
Yamaha Motor	777	0.7	777
Nifco	672	0.6	672
Fuji Corporation	625	0.5	625
Ride On Express	609	0.5	609
NEXT Co	548	0.5	548
Jamco	544	0.5	544
Yonex	519	0.4	519
Nojima	485	0.4	485
Sagami Rubber Industries	485	0.4	485
Takuma	476	0.4	476
CAC	443	0.4	443
PAL Co	427	0.4	427
Komehyo	350	0.3	350
Chugai Pharmaceutical	344	0.3	344
Freund	328	0.3	328
Taikisha	327	0.3	327
VT Holdings	308	0.3	308

Portfolio Listing as at 31 December 2015

Shares and long CFDs	Portfolio Exposure £'000	%[1]	Fair Value £'000
Eizo Corporation	280	0.2	280
Iino Kaiun Kaisha	276	0.2	276
Universal Entertainment	269	0.2	269
Bengo4.com	264	0.2	264
Creek & River	235	0.2	235
Pressance	233	0.2	233
Kusuri No Aoki	227	0.2	227
N Field	201	0.2	201
Yamaya	193	0.2	193
Sawada Holdings	188	0.1	188
Information Services International-Dentsu	181	0.1	181
Nitori Holdings	63	–	63
Samantha Thavasa Japan	39	–	39
Kuriyama Holdings	28	–	28
Sysmex	26	–	26
Suzuki Motor	23	–	23
Ezaki Glico	15	–	15
Shinsei Bank	13	–	13
Hokkaido Chuo Bus	9	–	9
Total Portfolio Exposure	**135,252**	**116.6**	
Total Portfolio Fair Value[3]			**115,471**
Net current assets excluding derivatives			529
Shareholders' Funds (per the Balance Sheet on page 41)			**116,000**

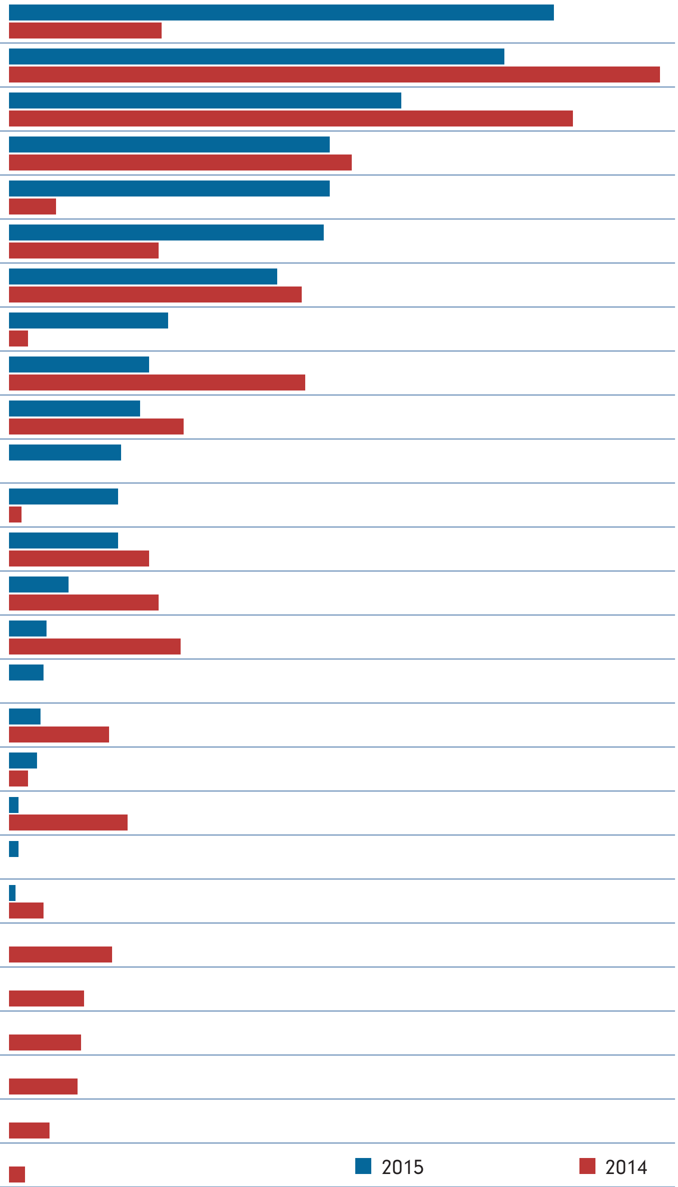
1 Portfolio Exposure is expressed as a percentage of Shareholders' Funds
2 Investment via long contracts for difference ("CFDs") provides exposure to the underlying share price in excess of the fair value
3 Total Portfolio Fair Value comprises (per the Balance Sheet on page 41) investments £115,532,000 plus derivative assets £1,056,000 less derivative liabilities £1,117,000

Gearing as at 31 December 2015

Shares and long CFDs	Portfolio Exposure 2015 £'000	2014 £'000
Investments – shares	115,532	82,486
Derivative instruments – long CFDs	19,720	31,063
Total Portfolio Exposure	135,252	113,549
Shareholders' Funds	116,000	92,886
Gearing – Total Portfolio Exposure in excess of Shareholders' Funds	16.6%	22.2%

Distribution of the Portfolio as at 31 December 2015

Sector	Portfolio Exposure 2015 %[1]	Portfolio Exposure 2014 %[1]
Machinery	17.5	4.9
Services	15.9	20.9
Electrical Appliances	12.6	18.1
Chemicals	10.3	11.0
Other Financing Business	10.3	1.5
Pharmaceuticals	10.1	4.8
Retail Trade	8.6	9.4
Other Products	5.1	0.6
Information & Communications	4.5	9.5
Transport Equipment	4.2	5.6
Rubber Products	3.6	–
Metal Products	3.5	0.4
Real Estate	3.5	4.5
Wholesale Trade	1.9	4.8
Precision Instruments	1.2	5.5
Foods	1.1	–
Textiles & Apparel	1.0	3.2
Glass & Ceramics	0.9	0.6
Construction	0.3	3.8
Marine Transportation	0.3	–
Securities & Commodity Futures	0.2	1.1
Insurance	–	3.3
Banks	–	2.4
Non-ferrous Metals	–	2.3
Land Transportation	–	2.2
Iron & Steel	–	1.3
Electric Power & Gas	–	0.5
Total Portfolio Exposure	**116.6**	**122.2**



[1] Portfolio Exposure is expressed as a percentage of Shareholders' Funds

Ten Year Record

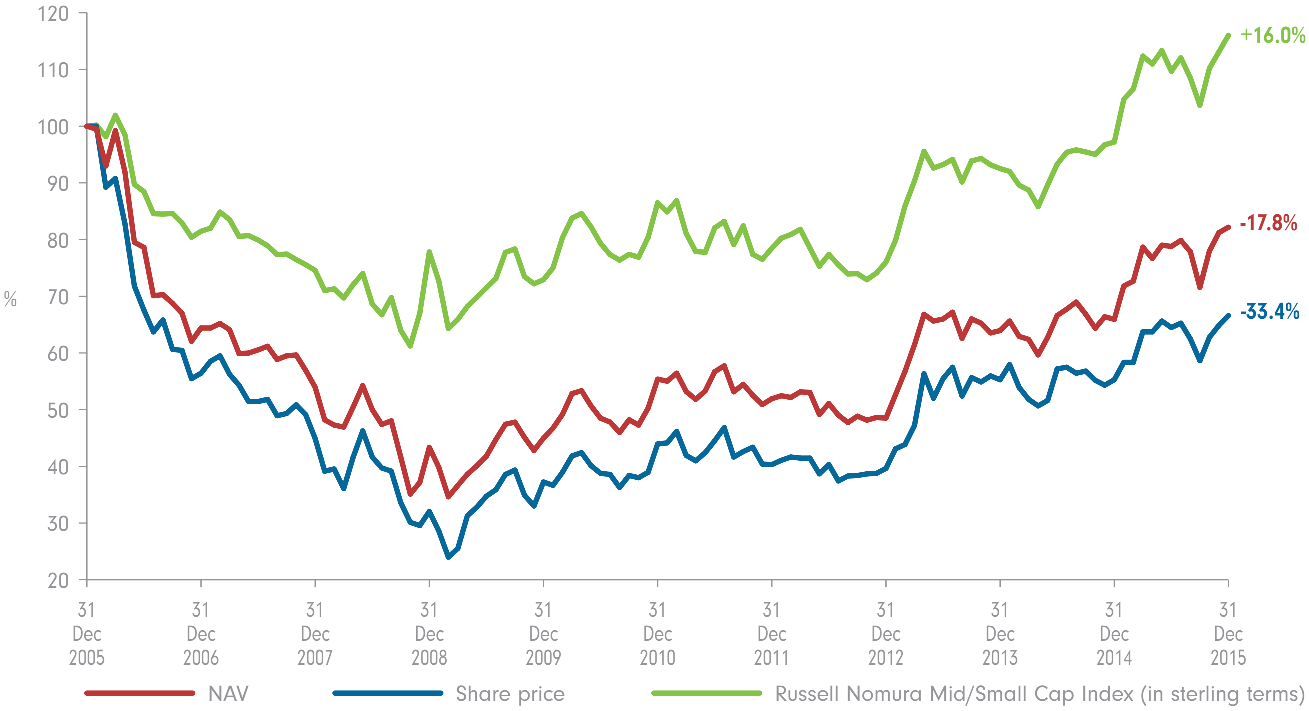
Historical Record as at 31 December	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total portfolio exposure (£m)[1]	135	114	105	70	77	79	68	75	79	92	137
Shareholders' funds (£m)	116	93	90[2]	58	63	65	53	51	65	78	121
NAV per ordinary share (p) – undiluted	101.56	81.48	79.02	59.94	64.17	68.44	55.56	53.58	66.67	79.59	123.56
NAV per ordinary share (p) – diluted	99.08	n/a	n/a	59.91	62.79	66.21	55.47	n/a	n/a	n/a	n/a
Ordinary share price (p)	86.75	72.00	72.00	51.63	52.50	57.25	48.50	41.75	58.50	73.50	130.25
Subscription share price (p)	3.13	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	14.6	11.6	8.9	13.9	18.2	16.4	12.7	22.1	12.3	7.7	(5.4)
Discount to NAV % – diluted	12.4	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)	(0.14)	(0.45)	(0.30)	(0.06)	0.02	(0.30)	(0.73)	(0.12)	(0.49)	(0.68)	(1.02)
Ongoing charges (%) (cost of running the Company)	1.52	1.62	1.80	2.00	1.98	2.08	2.17	1.98	1.65	1.46	1.83
Gearing (%)[3]	16.6	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 (%)	+24.6	+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 (%)	+21.6	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 (%)	+20.5	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) (%)	+19.4	+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 Charts

Total return performance for ten years to 31 December 2015



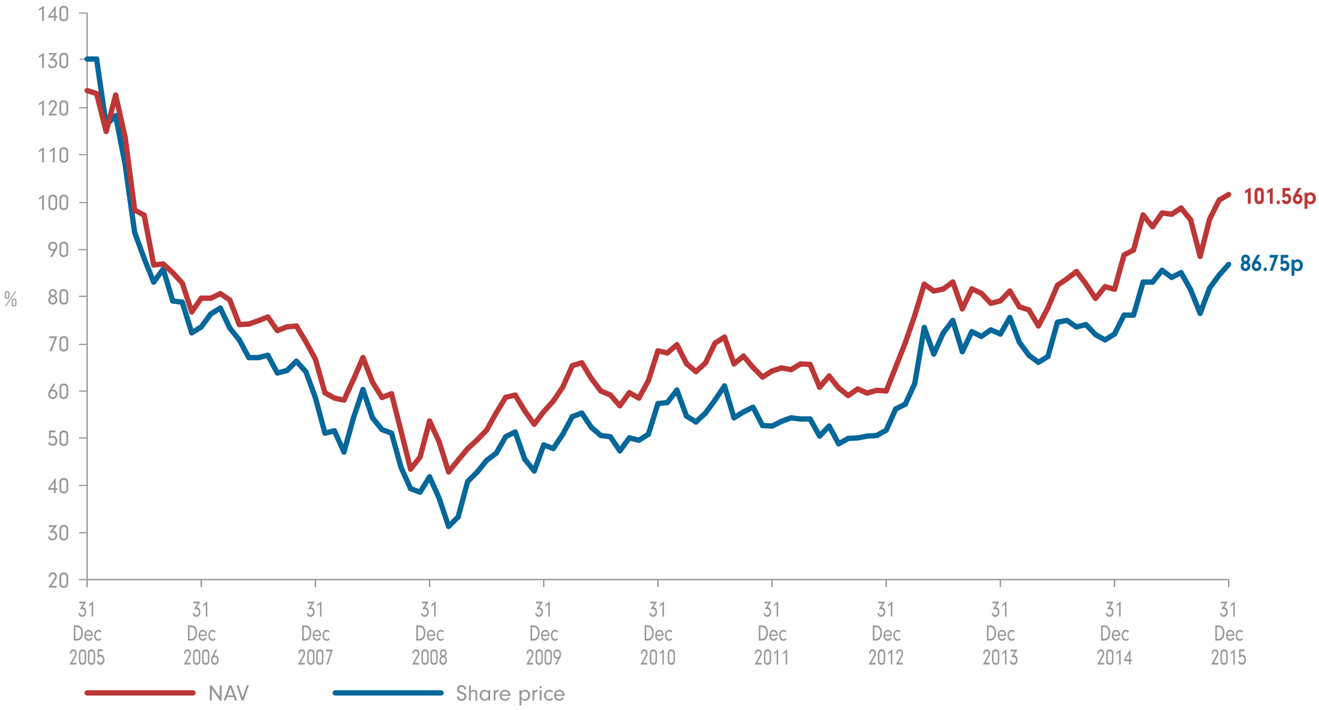
Prices rebased to 100
Sources: Fidelity and Datastream

Total return performance relative to the Reference Index for ten years to 31 December 2015

Prices rebased to 100
Sources: Fidelity and Datastream

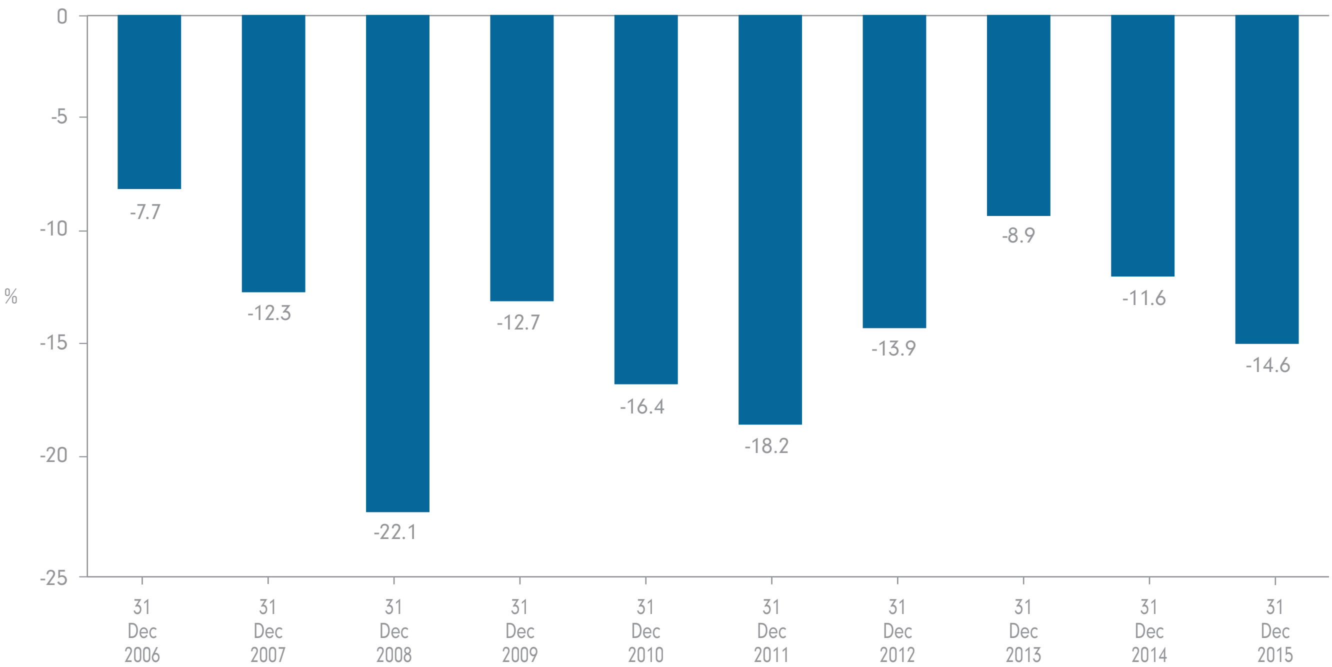
Summary of Performance Charts

NAV and share price for ten years to 31 December 2015



Sources: Fidelity and Datastream

Discount to NAV for ten years to 31 December 2015 (%)



Sources: Fidelity and Datastream

Board of Directors

David Robins[1]
(Chairman) (Date of appointment: 1 February 2011; appointed Chairman on 10 May 2012) is Senior Independent Director of SVG Capital plc and a Director of NHBS Limited and Seralux Inc. He is also a member of the advisory board of Millenium Associates AG. 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 and Chairman of Historic England. He is Chairman of J.P. Morgan Income & Capital Trust PLC, a Director of Pantheon International plc, a 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.

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 three Asian hedge funds, the Akamatsu Fund, the Akamatsu Bonsai Fund, and the Counterpoint Asian Macro Fund, and of an unquoted UK company, Bio-bean Limited. He is a fellow of Wolfson College, Oxford. Previously he was a Director of Schroder Securities Limited and of Smith New Court PLC.

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. She is an Executive Director of the Sainsbury Institute for the Study of Japanese Arts and Cultures and acts as a special advisor in Japanese studies to the University of East Anglia. She is also a director of the Association for Aid and Relief, Japan and a trustee of the Daiwa Anglo-Japanese Foundation.

Dominic Ziegler[1]
(Date of appointment: 17 November 2014) currently holds the post of Asia Editor at The Economist in London. He has over 25 years' experience in top-flight journalism and commentary, with a special expertise in East Asian affairs, particularly Japan, having previously served as The Economist's Tokyo Bureau Chief.

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 and the audited Financial Statements of the Company for the year ended 31 December 2015.

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

Details of the Company's business and status can be found in the Strategic Report on page 11.

MANAGEMENT COMPANY

FIL Investment Services (UK) Limited ("FISL") was appointed as the Company's Alternative Investment Fund Manager (the "Manager") with effect from 17 July 2014. At the same time, FISL, as the new Manager, delegated the portfolio management of assets and the role of the company secretary to FIL Investments International ("FII").

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

SERVICES AND FEE ARRANGEMENTS

The Management Agreement provides investment management services for an annual fee of 0.85% of the value of the Company's assets under management, including the exposure to the investments underlying the long CFDs, but excluding investment in any fund managed by the Manager. The fee is payable quarterly in arrears at a rate of 0.2125% per quarter and is based on the last business day of March, June, September and December. Fees for the year ended 31 December 2015 were £1,130,000 (2014: £954,000).

The Manager provides secretarial and administration services payable quarterly in arrears. Fees for the year ended 31 December 2015 were £45,000 (2014: £45,000).

The Manager provides marketing and administration in connection with the Fidelity Investment Trust Share Plan and the Fidelity Individual Savings Account ("ISA"). Costs for the year ended 31 December 2015 were £77,000 (2014: £84,000).

The total amount outstanding at 31 December 2015 to the Manager for all the above services was £369,000 (2014: £338,000). This amount is included within "Other creditors" in Note 12 on page 47.

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 and included in the 'Realised gains/(losses) on sales of investments' in Note 9 on page 46. In the year to 31 December 2015, £8,000 was received (2014: £10,000). 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.

As at the date of this report, FIL Limited has an interest in 1,644,984 subscription shares in the Company on its own account.

THE BOARD

David Robins (Chairman), Philip Kay, Sir Laurence Magnus, David Miller, Mami Mizutori and Dominic Ziegler all served on the Board throughout the year ended 31 December 2015. Simon Fraser served on the Board until 4 June 2015 and retired at the conclusion of the AGM.

All of the Directors, with the exception of David Miller, will retire at the AGM on 24 May 2016 and being eligible, offer themselves for re-election. David Miller retires at the conclusion of the forthcoming AGM. Biographical details of all the Directors at the date of this report are shown on page 22 and give an indication of their qualifications for Board membership.

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 under its own policy as permitted by the Companies Act 2006.

GOING CONCERN

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its expenditure and cash flow projections and have concluded that the Company has adequate resources to continue to adopt a going concern basis in preparing these Financial Statements.

The Board has also taken into consideration the fact that a continuation vote is proposed at this year's AGM and the likelihood of shareholders voting in favour of continuation.

DISCLOSURE OF INFORMATION TO THE AUDITOR

As required by Section 418 of the Companies Act 2006, each Director in office as at the date of this report each confirms that:

a) so far as they are aware, there is no relevant audit information of which the Auditor is unaware; and

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

Directors' Report

AUDITOR'S APPOINTMENT

In line with emerging best corporate governance practice and EU regulations on mandatory audit rotation, an audit tender process was carried out by the Company during 2015 and, as a result, it was recommended that Ernst & Young LLP be appointed as the Company's Independent Auditor for the period starting from 1 January 2016. As a result, Grant Thornton UK LLP will not be seeking reappointment as the Company's auditor for the financial year commencing 1 January 2016.

A resolution to appoint Ernst & Young LLP as Auditor of the Company will be proposed at the forthcoming AGM together with a resolution to authorise the Directors' to determine their remuneration.

CONTINUATION VOTE

Continuation votes are held every three years and the next continuation vote will take place at this year's AGM on 24 May 2016. If the vote is passed, a further continuation vote will take place at the AGM in 2019.

CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement, which forms part of this Directors' Report, on pages 26 to 29.

REGISTRAR, CUSTODIAN AND DEPOSITARY ARRANGEMENTS

The Company employs Capita Asset Services to manage the Company's share register. Fees for their registration services for the year under review amounted to £33,000 (2014: £26,000). The Company employs JPMorgan Chase Bank as its Custodian which is primarily responsible for safeguarding the Company's assets. Fees for its custodial services for the year under review amounted to £12,000 (2014: £11,000). The Company employs J.P. Morgan Europe Limited as its Depositary which is primarily responsible for oversight of the custody of investment funds and the protection of investor's interests. Fees for its depositary services for the year under review amounted to £14,000 (Date of appointment 17.07.2014 to 31.12.2014: £4,000).

SHARE CAPITAL

The Company's share capital comprises ordinary shares of 25 pence each and subscription shares of 0.001 pence each. As at 31 December 2015, the share capital comprised of 114,218,356 ordinary shares (2014: 114,002,375) and 22,527,339 subscription shares (2014: 22,743,320).

Each ordinary share in issue carries one vote. The subscription shares do not carry voting rights. 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 29 April 2016 inclusive. Each subscription share may only be exercised once. The exercise price is 86.50 pence per share.

PREMIUM/DISCOUNT MANAGEMENT: ENHANCING SHAREHOLDER VALUE

The Board recognises the importance of the relationship between the Company's share price and the net asset value per share and monitors this closely. It seeks authorities from shareholders each year to issue shares at a premium or repurchase shares at a discount to the NAV. The Board will exercise these authorities if deemed to be in the best interests of shareholders as a whole.

SHARE ISSUES

During the year ended 31 December 2015, a total of 215,981 (2014: 47,541) ordinary shares were issued following the exercise of rights attached to the subscription shares.

The authorities to issue shares and dis-apply pre-emption rights expire at the conclusion of this year's AGM and therefore, resolutions renewing these authorities will be put to shareholders for approval at the AGM on 24 May 2016.

SHARE REPURCHASES

No ordinary shares were repurchased during the year to 31 December 2015 (2014: nil). Since 1 January 2016 and as at the date of this report, the Company has repurchased 420,000 ordinary shares for cancellation.

The authority to repurchase ordinary shares expires at the forthcoming AGM and a special resolution to renew the authority to purchase ordinary shares for cancellation, including the ability to buy ordinary shares into Treasury, will therefore be put to shareholders at the AGM on 24 May 2016.

SUBSTANTIAL SHARE INTERESTS

As at 29 February 2016 and 31 December 2015, notification had been received of the following interests of 3% or more in the voting rights of the Company.

Shareholders	29 February 2016 %	31 December 2015 %
Wells Capital Management	23.59	23.19
Lazard Asset Management	19.26	19.13
1607 Capital Partners, LLC	11.70	11.62
FIL Limited[1]	9.64	9.74
South Yorkshire Pension Authority	4.25	4.25
Wesleyan Assurance	4.16	4.15

[1] Fidelity ISA/Share Plan Clients

Directors' Report

An analysis of ordinary shareholders as at 31 December 2015 is detailed in the table below.

Analysis of ordinary shareholders	As at 31 December 2015 % of voting share capital
Mutual Funds	36.17
Retail Investors[1]	29.86
Pension Funds	24.43
Insurance Companies	7.37
Hedge Funds	0.76
Trading and other	0.73
Charities	0.68
Total	**100.00**

[1] Includes Share Plan and ISA investors

AGM

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, you should pass this document, together with any accompanying documents (but not the personalised Form of Proxy or Form of Direction) as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

At the AGM on 24 May 2016, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 54 and 55, including the items of special business summarised below.

Continuation Vote

Resolution 10 is an ordinary resolution seeking approval for the Company to continue as an investment trust for a further three years. The last continuation vote was passed in 2013.

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 £1,422,479. If passed, this resolution will enable the Directors to allot a maximum of 5,689,917 ordinary shares of 25 pence each which represents approximately 5% of the issued ordinary share capital of the Company as at 31 March 2016 and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter. The Directors would not intend to use this power unless they considered that it was in the interests of shareholders to do so. Any shares issued would be at net asset value per share, or at a premium to net asset value per share.

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 waiving 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 or sale of Treasury shares 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 £1,422,479 (approximately 5% of the issued share capital of the Company as at 31 March 2016).

Authority to repurchase the Company's shares

Resolution 13 is a special resolution which renews the Company's authority to purchase up to 14.99% (17,058,373) of the number of ordinary shares of 25 pence each in issue (excluding shares held in Treasury) on 31 March 2016 either for immediate cancellation or for retention as Treasury shares at the determination of the Directors. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases of ordinary shares will be made at the discretion of the Directors and within guidelines set from time to time by them in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share.

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

By Order of the Board
FIL Investments International
Secretary
31 March 2016

Corporate Governance Statement

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

CORPORATE GOVERNANCE CODES

The Board follows the principles of the UK Corporate Governance Code ("UK Code") issued by the Financial Reporting Council (the "FRC") in September 2014 and the AIC's Code of Corporate Governance (the "AIC Code") issued by the Association of Investment Companies ("AIC") in February 2015. The FRC has confirmed that investment companies which report against the AIC Code and which follow the AIC Guide on Corporate Governance will meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

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

STATEMENT OF COMPLIANCE

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code for the year under review and up to the date of this report, except in relation to the UK Code provisions relating to the role of the chief executive; executive directors' remuneration; and the need for an internal audit function.

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 position of the Company, as it is an externally managed investment company and has no executive directors, employees or internal operations.

THE BOARD

BOARD COMPOSITION

The Board, chaired by David Robins, consists of six non-executive Directors and will revert to five non-executive directors when David Miller steps down at the conclusion of the forthcoming AGM. The Directors believe that, between them, they 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 to discharge its duties and provide effective strategic leadership and proper governance of the Company.

The Board follows a procedure of notification of other interests that may arise as part of considering any potential conflicts. David Miller, the Senior Independent Director, fulfils the role as a "sounding board" for the Chairman and as intermediary for the other non-executive Directors where necessary. Philip Kay will take over as Senior Independent Director when David Miller retires on 24 May 2016.

Biographical details of all the Directors are given on page 22.

BOARD MEETINGS

The Board meets at least four times a year, including an annual meeting in Tokyo, and the table on page 27 gives the attendance record for the meetings held during the reporting year. The Portfolio Manager and key representatives of the Manager are in attendance at these meetings. Between these meetings there is regular contact with the Manager and other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred from the Board and the Chairman is in contact with the other Directors regularly without representatives of the Manager being present.

BOARD RESPONSIBILITIES

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

All the Directors are independent of the Manager and considered to be free from any relationship which could materially interfere with the exercise of their independent judgement. All Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively.

COMPANY SECRETARY

The Board has access to the advice and services of the Company Secretary. The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Each Director is entitled to take independent professional advice, at the Company's expense, in the furtherance of their duties.

CHANGES TO THE BOARD

Changes to the Board take place in accordance with the Companies Act 2006, the Company's Articles of Association and the AIC Code. Any proposal for the appointment of new Directors is discussed and approved by the whole Board. External consultants who have no connection with the Company are used to identify potential candidates.

DIRECTOR TRAINING

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

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[1]	2/2	1/1	1/1	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	5/5	1/1	1/1	1/1
Mami Mizutor	5/5	1/1	1/1	1/1

[1] retired on 4 June 2015

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.

ELECTION AND RE-ELECTION

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

BOARD EVALUATION

An annual process for the evaluation of the Board, its Committees and its Directors is in place. It 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 discussed by the Board and the process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and action is taken on the basis of the results.

DIRECTORS' REMUNERATION

Full details of the Company's Remuneration Policy and Directors' fees are disclosed in the Directors' Remuneration Report on pages 32 and 33. Directors' share interests are disclosed on page 34.

BOARD COMMITTEES

The Board discharges certain of its corporate governance responsibilities through the Audit Committee, Nomination Committee and Management Engagement Committee as set out below.

Terms of reference of each Committee can be found on the Company's pages of the Manager's website at www.fidelity.co.uk/its.

AUDIT COMMITTEE

The Audit Committee is chaired by Sir Laurence Magnus and consists of all of the Directors. Full details of the Audit Committee are disclosed in the Report of the Audit Committee on pages 30 and 31.

NOMINATION COMMITTEE

The Nomination Committee is chaired by David Robins and consists of all of the Directors. The Committee is charged with nominating new Directors for consideration by the Board, and in turn for approval by shareholders; and also consideration of the reappointment of Directors. Potential candidates are recommended to the Board, independently of the Manager. As part of this process external consultants, who have no connection with the Company, may be used in order to identify potential candidates.

The search for a candidate is carried out 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. 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 AGM.

MANAGEMENT ENGAGEMENT COMMITTEE

The Management Engagement Committee is chaired by David Robins and consists of all of the Directors. It is charged with reviewing and monitoring the performance of the Manager and ensuring that the terms of the Company's Management Agreement remain competitive and reasonable for shareholders.

Corporate Governance Statement

The criteria which the Board takes into consideration in reviewing the performance of the Manager include the quality of the team; commitment of the Manager to the Company and investment trust business; administration, accounting and the secretaryship of the Company; investment management skills; experience and track record; shareholder relations and discount management; and the Management Agreement, including fees, notice periods and duties.

The Committee met on 29 March 2016 and reviewed the performance of the Manager for the year to 31 December 2015. The Committee noted the Company's good long term performance record and the commitment, quality and experience of the team responsible for the Company and concluded that it was in the interests of shareholders that the appointment of the Manager should continue on the same terms.

Details of the Management Agreement are set out in the Directors' Report on page 23.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

Set out on page 35 is a statement by the Directors of their responsibilities in respect of the preparation of the Annual Report and Financial Statements. The Auditor has set out its reporting responsibilities within the Independent Auditor's Report on pages 36 to 38.

The Board has a responsibility to present a fair, balanced and understandable assessment of annual, half-yearly, other price sensitive public reports and reports to regulators, 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 CONTROLS

The Board is responsible for the Company's systems of risk management and of internal controls and for reviewing their effectiveness. Such systems 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 include the safeguarding of the 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 rigorous risk and controls assessment. The business risks have been analysed and recorded in a risk and internal controls report which is regularly reviewed. The Audit Committee has reviewed the report on the effectiveness of the internal controls maintained on behalf of the Company. 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.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company, and that it has been in place throughout the year ended 31 December 2015 and up to the date of this Annual Report. This process is in accordance with the Financial Reporting Council's "Risk Management, Internal Control and Related Financial Business Reporting" guidance.

The Board has reviewed the need for an internal audit function and has determined that the systems and procedures employed by the Manager provide sufficient assurance that a sound system of internal controls, to safeguard shareholders' investments and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary. The Audit Committee meets the Manager's internal audit representative at least twice a 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"). Fidelity has advised the Board that it is committed to providing the highest level of service to its customers and to applying the highest standards of quality, honesty, integrity and probity. The aim of the policy is to encourage employees and others working for Fidelity to assist the Company in tackling fraud, corruption and other malpractice within the organisation and in setting standards of ethical conduct. This policy has been endorsed accordingly by the Board.

BRIBERY ACT 2010

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

Corporate Governance Statement

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

RESPONSIBILITY AS INSTITUTIONAL SHAREHOLDER

The Board has adopted the Manager's Principles of Ownership in relation to investments. These principles include the pursuit of an active investment policy through portfolio management decisions, voting on resolutions at general meetings and maintaining a continuing dialogue with the management of investee companies. The Manager, in its Principles of Ownership, expressly declares that it supports the Financial Reporting Council's UK 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

Communication with shareholders is given a high priority by both the Board and the Manager. All Directors are made aware of shareholders' concerns and the Chairman, Senior Independent Director and other Directors are available to meet 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 who are in regular contact with the Company's major institutional investors. The Board aims to provide the maximum opportunity for dialogue between the Company and shareholders. If any shareholder wishes to contact a member of the Board directly they should contact the Company Secretary whose details are given on page 59.

All shareholders are encouraged to attend the AGM at which there will be a presentation by the new Portfolio Manager of the past year's results and the forthcoming year's prospects. There will be an opportunity to meet the Board, the Portfolio Manager and representatives of the Manager. The Board is looking forward to the opportunity to speak to shareholders.

The Notice of the AGM on pages 54 and 55 sets out the business of the AGM and the special business resolutions are explained more fully on page 25 of the Directors' Report. A separate resolution is proposed on each substantially separate issue including the Annual Report and Financial Statements. The Chairman and other members of the Board will be available to answer questions at the AGM and related papers are sent to shareholders at least 20 working days before the Meeting.

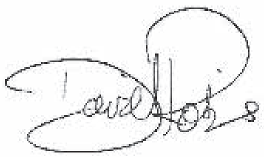
Voting rights in the Company's shares

Every shareholder on a show of hands has one vote. On a poll every shareholder who is present in person or by proxy or representative has one vote for every ordinary share. At general meetings all proxy votes are counted and, except where a poll is called, proxy voting is reported for each resolution after it has been dealt with on a show of hands. The proxy voting results are disclosed on the Company's page of the Manager's website at www.fidelity.co.uk/its.

ARTICLES OF ASSOCIATION

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

On behalf of the Board



David Robins
Chairman
31 March 2016

Report of the Audit Committee

I am pleased to present the report of the Audit Committee (the "Committee") to shareholders on the role and responsibilities of the Committee and the effectiveness of the independent audit process and how this has been assessed for the year ended 31 December 2015.

COMPOSITION

The Committee is chaired by me and consists of all of the Directors. The Committee considers that its members have sufficient recent and relevant financial experience to discharge their responsibilities fully.

ROLE AND RESPONSIBILITIES

The Committee's authority and duties are defined in its terms of reference and are available on the Company's pages of the Manager's website at 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;
- 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 systems (including financial, operational and compliance controls and risk management);
- Monitoring the integrity of the half-yearly and annual financial statements of the Company and reviewing these to ensure they are fair, balanced and understandable;
- Reviewing the existence and performance of all controls operating in the Company (including adherence to Sections 1158 and 1159 Corporation Tax Act 2010); 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.

MEETINGS AND BUSINESS CONSIDERED BY THE AUDIT COMMITTEE DURING THE YEAR

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 27.

The following matters were dealt with at these meetings:

March 2015	Review of: • The Company's risk management and internal controls framework • Compliance with Corporate Governance and regulatory requirements • The Going Concern statement • The Annual Report and Financial Statements and recommendation of its approval to the Board • The Independent Auditor's report • The Independent Auditor's performance and consideration of their re-appointment • The Depositary's Oversight Report • The Committee's terms of reference
July 2015	Review of: • The Company's risk management and internal controls framework • The Half-Yearly Report and Financial Statements and recommendation of its approval to the Board • The Committee's terms of reference Confirmation of the Going Concern Statement
October 2015	Review of: • The Independent Auditor's engagement letter and audit plan for the Company's year ending 31 December 2015 • The Depositary's Oversight report Confirmation of the decision to appoint Ernst & Young LLP as Auditor in respect of the year ending 31 December 2016, following a tender process.

Report of the Audit Committee

SIGNIFICANT ISSUES CONSIDERED BY THE AUDIT COMMITTEE

The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities is on page 35. The Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise in relation to these and any specific areas which require judgement.

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

Recognition of Investment Income	Investment income is recognised in accordance with accounting policy Note 2(c) on page 42. The Manager provided revenue forecasts and variances to these forecasts were reviewed. 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 23. The Committee satisfied itself 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 2(i) and 2(j) on page 43. The Committee received reports from the Manager and the Independent Auditor who had verified the valuation of investments and derivatives by reference to independent sources and had 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	Approval for the Company to carry on business as an investment trust has been obtained, subject to the Company continuing to meet eligibility criteria. Ongoing compliance with the eligibility criteria is monitored on a regular basis with the help and guidance of the Company's service providers or advisers.
Principal Risks and Uncertainties	The Committee reviewed the principal risks and uncertainties facing the Company and evaluated 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.

INDEPENDENCE AND EFFECTIVENESS OF THE AUDIT PROCESS

Grant Thornton UK LLP acted as the Company's Independent Auditor for the year ended 31 December 2015. The Committee reviewed the independence of the Auditor and the effectiveness of the audit process.

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

- the personnel in the audit plan for the year;
- the Auditor's arrangements for managing 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 the effectiveness of the audit process, the Committee reviewed:

- the fulfilment by the Independent Auditor of the agreed audit plan;
- the audit report issued by the Independent Auditor on the audit of the Annual Report and Financial Statements for the year ending 31 December 2015; and
- feedback from the Manager.

AUDITOR AND AUDIT TENURE

The Company carried out a formal tender process during the year at which a number of audit firms were considered and Ernst & Young LLP has been selected as the Company's new independent Auditor for the forthcoming year. Grant Thornton UK LLP, which has been in office since 2006, will not seek re-election at the forthcoming AGM and a resolution to appoint Ernst & Young LLP will be put to shareholders for approval. The Committee will continue to review the Auditor's appointment each year to ensure that the Company is receiving an optimal level of service. There are no contractual obligations that restrict the Company's choice of auditor.

Sir Laurence Magnus
Chairman of the Audit Committee
31 March 2016

Directors' Remuneration Report

CHAIRMAN'S STATEMENT

The Directors' Remuneration Report for the year ended 31 December 2015 has been prepared in accordance with the Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 (the "Regulations"). As the Board is comprised entirely of non-executive Directors and has no employees, many parts of the Regulations, in particular those relating to chief executive officer pay and employee pay, do not apply and are therefore not disclosed in this report.

An ordinary resolution to approve the Directors' Remuneration Report will be put to shareholders at the AGM on 24 May 2016. 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 Auditor's opinion is included in its report on pages 36 to 38.

DIRECTORS' REMUNERATION

During the year ended 31 December 2015, 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 is subject to a binding vote, in the form of an ordinary resolution, at every third AGM. A binding vote means that, if it is not successful, the Board will be obliged to revise the policy and seek further shareholder approval at a General Meeting specially convened for that purpose. The current policy is set out below.

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 fees payable to non-executive directors in the industry generally; the role that individual Directors fulfill, 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 pay, bonuses, 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 AGMs 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 any new Board members, who will be paid the equivalent amount of fees as current Board members.

REPORT ON THE IMPLEMENTATION OF THE REMUNERATION POLICY

The Remuneration Policy was formalised for the first time at the AGM held on 14 May 2014 and the next vote will be put to shareholders in 2017. The Policy has been followed throughout the year ended 31 December 2015.

The Directors' Remuneration Report is subject to approval by shareholders by way of a non-binding 'advisory' resolution at each AGM. 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 AGM, regardless of whether the Remuneration Policy was approved by shareholders within the last three years.

Voting at the Company's last AGM

At the AGM held on 4 June 2015, 99.70% 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 2014, 0.29% of votes were cast against and 0.01% of votes were withheld. At the AGM to be held on 24 May 2016, the votes cast by shareholders on the Directors' Remuneration Report for the year ended 31 December 2015 will be disclosed on the Company's pages of the Manager's website at www.fidelity.co.uk/its.

Directors' Remuneration Report

Single Total Figure of Remuneration

The single total aggregate Directors' remuneration for the year under review was £141,698 (2014: £118,149). Information on individual Directors' fees is shown below. In addition, following HMRC regulations, the Company is now required to disclose expenses incurred by the Directors in attending to the affairs of the Company. These are considered to be a taxable benefit and are disclosed in the table below for the current and prior year.

Remuneration of Directors	2016 Projected Fees (£)	2015 Fees (Audited) (£)	2015 Taxable Benefits[1] (Audited) (£)	2015 Total (Audited) (£)	2014 Fees (Audited) (£)	2014 Taxable Benefits[1] (Audited) (£)	2014 Total (Audited) (£)
David Robins	30,000	30,000	–	30,000	30,000	–	30,000
Simon Fraser[2]	–	8,553	–	8,553	20,000	–	20,000
Philip Kay	20,000	20,000	–	20,000	20,000	–	20,000
Sir Laurence Magnus	23,000	23,000	–	23,000	23,000	–	23,000
David Miller[3]	7,923	20,000	78	20,078	20,000	149	20,149
Mami Mizutori[4]	20,000	20,000	67	20,067	2,500	–	2,500
Dominic Ziegler[4]	20,000	20,000	–	20,000	2,500	–	2,500
Total	**120,923**	**141,553**	**145**	**141,698**	**118,000**	**149**	**118,149**

1 Reasonable travel expenses incurred in attending the affairs of the Company
2 Retired as a Director on 4 June 2015
3 Retiring as a Director on 24 May 2016
4 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.

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 2014 and 31 December 2015.

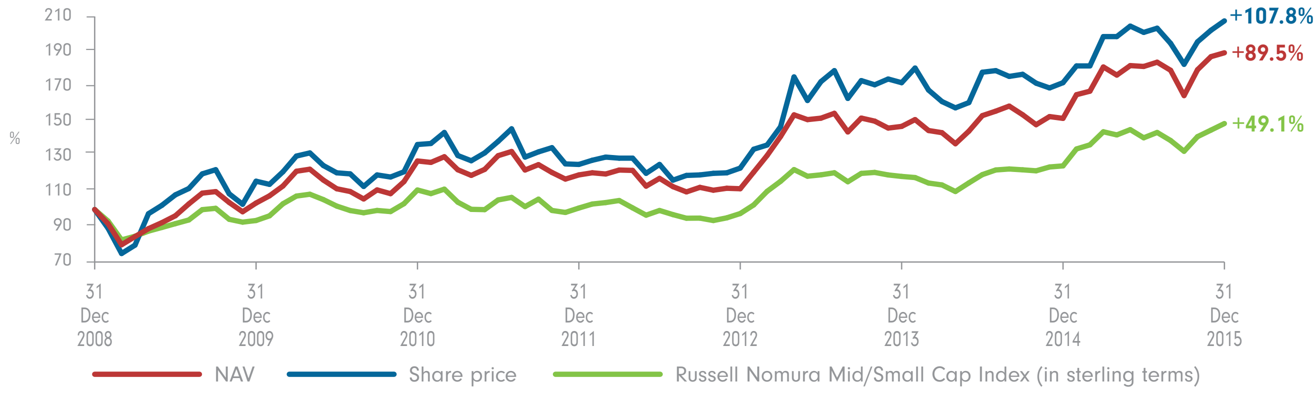
	31 December 2015 £	31 December 2014 £
Expenditure on Remuneration:		
– Aggregate Directors' Fees	141,698	118,149
Distribution to Shareholders:		
– Dividend payments	nil	nil
– Shares repurchased	nil	nil

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 graph on page 34 shows performance over seven years to 31 December 2015.

Directors' Remuneration Report

Performance from 1 January 2009 to 31 December 2015 (on a total return basis)



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

Directors' Interest in Shares

Although there is no requirement for the Directors to hold shares in the Company, Directors are encouraged to do so. The tables below show the shares held by Directors in the Company. All of the Directors' shareholdings are beneficial

Directors' Shareholdings (audited)

Ordinary Shares – Director	31 December 2015	31 December 2014	Change during year
David Robins[1]	35,000	10,000	25,000
Simon Fraser[2]	n/a	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	nil	nil	nil
Dominic Ziegler	nil	nil	nil

1 Purchase of shares
2 Retired 4 June 2015

Subscription Shares – Director	31 December 2015	31 December 2014	Change during year
David Robins	2,000	2,000	nil
Simon Fraser[1]	n/a	3,600	nil
Philip Kay	2,436	2,436	nil
Sir Laurence Magnus	8,000	8,000	nil
David Miller	4,000	4,000	nil
Mami Mizutori	nil	nil	nil
Dominic Ziegler	nil	nil	nil

1 Retired 4 June 2015

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

On behalf of the Board

David Robins
Chairman
31 March 2016

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, to the extent possible, 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 at www.fidelity.co.uk/its. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of the financial statements may differ from legislation in their own jurisdictions.

We confirm that to the best of our knowledge the Financial Statements, prepared in accordance with the applicable set of accounting standards, 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 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 position and performance, business model and strategy.

Approved by the Board on 31 March 2016 and signed on its behalf by:

David Robins
Chairman

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 2015 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.

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.

What we have audited

Fidelity Japanese Values PLC's Financial Statements for the year ended 31 December 2015 comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet and the related Notes.

The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Overview of our audit approach

- Overall materiality: £1.16m which represents 1% of the Company's net assets; and
- Key audit risks were identified as existence and valuation of investments; existence, completeness and valuation of long contracts for differences (CFDs) and related disclosures; and completeness and occurrence of investment income.

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on our audit:

Audit risk	How we responded to the risk
Existence and valuation of investments 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 movement in the valuation of investments, which are the main drivers of returns, with the investment portfolio valued at £116m. There is a risk that investments shown in the Balance Sheet may not exist or may be incorrectly valued. We identified existence and valuation of investments as risks that required particular audit attention.	Our audit work included, but was not restricted to: • understanding management's process to safeguard assets; • obtaining a confirmation from the custodian of the investments they were holding at the year-end; • testing the reconciliation of the custodian position to the records maintained by the Company; • understanding management's process to value quoted investments; • agreeing the valuation of 100% of the quoted investments to an independent source of market prices; and • confirming investments are actively traded by obtaining monthly trading volumes of the listed investments held at the year-end. The Company's accounting policy on the valuation of investments is shown in Note 2 and its disclosures about investment movements are included in Note 9. The Audit Committee identified valuation, existence and ownership of investments (including derivatives) as a significant issue in its report on page 31 where the Committee also described the action that it has taken to address this.
Existence, completeness and valuation of long contracts for differences (CFDs) and related disclosures As a consequence of the Company's investment strategy, the Company has a significant exposure to long CFDs, having a market exposure of £20m. There is a risk that CFDs held by the Company may not be recorded, that they may not exist or may not be correctly valued. We therefore identified existence, completeness and valuation of long CFDs as risks that required particular audit attention.	Our audit work included, but was not restricted to: • understanding management's process for approving counterparties to enter into derivative contracts; • obtaining confirmations from approved counterparties of all CFDs entered into and closed during the year and open at the year-end; • testing the valuation of 100% of the CFDs by agreeing the contract price to the counterparty's confirmation and the year-end market price to an independent source of market prices; and • checking that the market exposures had been correctly calculated. The Company's accounting policy on the valuation of CFDs is shown in Note 2 and its disclosures about derivative movements are included in Note 10. The Audit Committee also identified the valuation, existence and ownership of investments (including derivatives) as a significant issue in its report on page 31, where the Committee also described the action that it has taken to address this.

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

Audit risk	How we responded to the risk
Completeness and occurrence of investment income The Company measures performance on a total return basis that includes revenue and investment income is one of the most significant and material balances in the Income Statement. We identified the completeness and occurrence of investment income as a risk that required particular audit attention.	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 Financial Statements; • 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 2 and the components of that income are included in Note 3. The Audit Committee identified recognition of investment income as a significant issue in its report on page 31, where the Committee also described the action that it has taken to address this.

Our application of materiality and an overview of the scope of our audit

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 use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the Financial Statements as a whole to be £1.16m, which is 1% of net assets. This benchmark is considered the 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 such as Directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the Audit Committee to be £58,000. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

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

We conducted our audit in accordance with International Standards on Auditing (ISAs) (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 by obtaining and evaluating internal controls reports on the description, design and operating effectiveness of controls at both the Company and third party service providers; and
- 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 our evaluation of the design and implementation of controls and the management of specific risks.

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

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

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
- 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' statements in relation to going concern and longer term viability, set out on pages 23 and 13 respectively; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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.

We have nothing to report in respect of the above.

We also confirm that we do not have anything material to add or to draw attention to in relation to:

- the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the Financial Statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; and
- the Directors' explanation in the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Responsibilities for the Financial Statements and the audit

What the Directors are responsible for:

As explained more fully in the Statement of Directors' Responsibilities set out on page 35, 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 ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Julian Bartlett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
31 March 2016

Income Statement for the year ended 31 December 2015

	Notes	2015 revenue £'000	2015 capital £'000	2015 total £'000	2014 revenue £'000	2014 capital £'000	2014 total £'000
Gains on investments at fair value through profit or loss	9	–	21,132	21,132	–	1,053	1,053
Gains on derivative instruments at fair value through profit or loss	10	–	2,717	2,717	–	2,848	2,848
Income	3	1,728	–	1,728	1,366	–	1,366
Investment management fee	4	(1,130)	–	(1,130)	(954)	–	(954)
Other expenses	5	(508)	–	(508)	(711)	–	(711)
Exchange losses on other net assets		(22)	(762)	(784)	(26)	(589)	(615)
Net return/(loss) before finance costs and taxation		68	23,087	23,155	(325)	3,312	2,987
Finance costs	6	(88)	–	(88)	(77)	–	(77)
Net (loss)/return on ordinary activities before taxation		(20)	23,087	23,067	(402)	3,312	2,910
Taxation on (loss)/return on ordinary activities	7	(140)	–	(140)	(107)	–	(107)
Net (loss)/return on ordinary activities after taxation for the year		(160)	23,087	22,927	(509)	3,312	2,803
(Loss)/return per ordinary share – undiluted and diluted	8	(0.14p)	20.24p	20.10p	(0.45p)	2.91p	2.46p

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 and no operations were acquired or discontinued in the year.

The Notes on pages 42 to 53 form an integral part of these Financial Statements.

Statement of Changes in Equity

	Note	share capital £'000	share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Year ended 31 December 2015								
As at 1 January 2015		28,501	6,741	2,621	57,568	11,766	(14,311)	92,886
Issue of ordinary shares on exercise of rights attached to subscription shares	13	54	133	–	–	–	–	187
Net return/(loss) on ordinary activities after taxation for the year		–	–	–	–	23,087	(160)	22,927
As at 31 December 2015		28,555	6,874	2,621	57,568	34,853	(14,471)	116,000
Year ended 31 December 2014								
As at 1 January 2014		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	13	12	29	–	–	–	–	41
Net return/(loss) on ordinary activities after taxation for the year		–	–	–	–	3,312	(509)	2,803
As at 31 December 2014		28,501	6,741	2,621	57,568	11,766	(14,311)	92,886

The Notes on pages 42 to 53 form an integral part of these Financial Statements.

Balance Sheet as at 31 December 2015

Company number 2885584

	Notes	2015 £'000	2014 £'000
Fixed assets			
Investments at fair value through profit or loss	9	115,532	82,486
Current assets			
Derivative assets at fair value through profit or loss	10	1,056	7,296
Debtors	11	1,063	930
Cash at bank		220	3,176
		2,339	11,402
Creditors			
Derivative liabilities at fair value through profit or loss	10	(1,117)	(139)
Creditors	12	(754)	(863)
		(1,871)	(1,002)
Net current assets		468	10,400
Net assets		116,000	92,886
Capital and reserves			
Share capital	13	28,555	28,501
Share premium account	14	6,874	6,741
Capital redemption reserve	14	2,621	2,621
Other reserve	14	57,568	57,568
Capital reserve	14	34,853	11,766
Revenue reserve	14	(14,471)	(14,311)
Total equity shareholders' funds		116,000	92,886
Net asset value per ordinary share			
Undiluted	15	101.56p	81.48p
Diluted	15	99.08p	n/a

The Financial Statements on pages 39 to 53 were approved by the Board of Directors on 31 March 2016 and were signed on its behalf by:

David Robins
Chairman

The Notes on pages 42 to 53 form an integral part of these Financial Statements.

Notes to the Financial Statements

1 PRINCIPAL ACTIVITY

Fidelity Japanese Values PLC is an Investment Company incorporated in England and Wales with a premium listing on the London Stock Exchange. The Company's registration number is 2885584, and its registered office is Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP. The Company has been approved by HM Revenue & Customs as an Investment Trust under Section 1158 of the Corporation Tax Act, 2010 and intends to conduct its affairs so as to continue to be approved.

2 ACCOUNTING POLICIES

The Company has for the first time applied the revised UK Generally Accepted Accounting Practice ("UK GAAP"), issued by the Financial Reporting Council ("FRC") and these Financial Statements have been prepared in accordance with FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland, effective for accounting periods beginning on or after 1 January 2015. The Company has early adopted the amendments to FRS 102: Fair value hierarchy disclosures, issued by the FRC in March 2016. The Financial Statements have also been prepared in accordance with the revised Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC"), in November 2014.

As a result of the adoption of the revised UK GAAP and SORP, presentation formats have been amended where appropriate. The Reconciliation of Movements in Shareholders' Funds has been renamed the Statement of Changes in Equity. A Cash Flow Statement has not been presented. The Company is exempt from presenting a Cash Flow Statement as a Statement of Changes in Equity is presented and substantially all of the Company's investments are highly liquid and are carried at market value. The net return on ordinary activities after taxation for the year and total shareholders' funds remain unchanged from what was reported under the former UK GAAP basis applied in the 2014 Annual Report and the 2014 figures have not required restatement.

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.

A resolution proposing the continuation of the Company as an investment trust will be put to shareholders at the AGM on 24 May 2016. The Directors are recommending that shareholders vote in favour of this resolution. In accordance with this recommendation and given that the Company's assets consist mainly of securities which are readily realisable and that the Directors have a reasonable expectation that the Company has adequate resources to continue for the foreseeable future, the Directors believe that it is appropriate to prepare the Financial Statements on a going concern basis. Accordingly the Financial Statements do not include any adjustments that may arise from a reconstruction or liquidation of the Company. Such adjustments would include expenses of reconstruction or liquidation along with any costs associated with realising the portfolio.

b) Segmental reporting – The Directors are of the opinion that the Company is engaged in a single segment of business being investment business.

c) 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.

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

e) Expenses – Expenses, including investment management fees, are accounted for on an accruals basis and are charged in full to the revenue column of the Income Statement.

f) Finance costs – Finance costs represent interest paid on long CFDs and are accounted for on an accruals basis using the effective interest method. They are charged in full to the revenue column of the Income Statement.

g) 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 only recognised when it is more likely than not that the asset will be recoverable.

Notes to the Financial Statements

2 ACCOUNTING POLICIES continued

h) 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 the transaction. 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.

i) Investments – The portfolio of investments and derivative instruments is managed and its performance is evaluated on a fair value basis in accordance with a documented investment strategy. Information about the portfolio is provided on this basis to the Company's Board of Directors. Investments are measured at fair value with changes in fair value recognised in profit or loss, in accordance with the provisions of both Section 11 and Section 12 of FRS 102. The fair value of investments is initially taken to be their cost and is subsequently measured as follows:

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

In accordance with the AIC SORP, the Company charges transaction costs incidental to the purchase or sale of investments to 'Gains on investments at fair value through profit or loss' in the capital column of the Income Statement. These costs are disclosed in Note 9 below.

j) Derivative instruments – Some of the Company's portfolio exposure to Japanese equities is achieved by investment in long CFDs. Long CFDs are measured at fair value with changes in fair value recognised in profit or loss, in accordance with the provisions of both Section 11 and Section 12 of FRS 102. The fair value of long CFDs is measured as follows:

- Long CFDs are valued at the difference between the price of the shares underlying the contract when the contract was opened and their closing price at the valuation date (calculated in accordance with policy 2(i) above).

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

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

As a result of technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/10: Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006, changes in fair value of investments which are readily convertible to cash, without accepting adverse terms at the Balance Sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as 'capital reserve' in the Statement of Changes in Equity and on the Balance Sheet. At the Balance Sheet date all investments held by the Company were listed on a recognised stock exchange and were considered to be readily convertible to cash.

3 INCOME

	Year ended 31.12.2015 £'000	Year ended 31.12.2014 £'000
Income from investments at fair value through profit or loss		
Overseas dividends	1,404	1,071
Income from derivative instruments at fair value through profit or loss		
Dividends on long CFDs	324	295
Total income	1,728	1,366

Notes to the Financial Statements

4 INVESTMENT MANAGEMENT FEE

	year ended 31.12.2015 £'000	year ended 31.12.2014 £'000
Investment management fee	1,130	954

A summary of the terms of the Management Agreement is given in the Directors' Report on page 23.

5 OTHER EXPENSES

	year ended 31.12.2015 £'000	year ended 31.12.2014 £'000
AIC fees	7	6
Custody fees	12	11
Depositary fees[1]	14	4
Directors' expenses	41	38
Directors' fees[2]	142	118
Legal and professional fees	48	103
Marketing expenses	77	84
Printing and publication expenses	51	48
Registrars' fees	33	26
Subscription share issue costs	–	193
Sundry other expenses	59	57
Fees payable to the Company's Independent Auditor for the audit of the annual financial statements	24	23
	508	711

1 The Depository was appointed with effect from 17 July 2014
2 Details of the breakdown of Directors' fees are provided in the Directors' Remuneration Report on page 33

6 FINANCE COSTS

	year ended 31.12.2015 £'000	year ended 31.12.2014 £'000
Interest paid on long CFDs	88	77

Notes to the Financial Statements

7 TAXATION ON RETURN ON ORDINARY ACTIVITIES

	year ended 31.12.2015 £'000	year ended 31.12.2014 £'000
a) Analysis of taxation charge for the year		
Overseas taxation suffered (Note 7b)	140	107

b) Factors affecting the taxation charge for the year
The taxation charge for the year is lower than the standard rate of UK corporation tax of 20.25% (2014: 21.49%). A reconciliation of the taxation charge based on the standard rate of UK corporation tax to the actual taxation charge is shown below:

	year ended 31.12.2015 £'000	year ended 31.12.2014 £'000
Net return on ordinary activities before taxation	23,067	2,910
Net return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 20.25% (2014: 21.49%)	4,671	626
Effects of:		
Gains on investments not taxable[1]	(4,675)	(712)
Income not included for taxation purposes	(285)	(230)
Increase in excess expenses for the year	289	316
Overseas taxation	140	107
Taxation charge for the year (Note 7a)	140	107

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

c) Deferred taxation
A deferred taxation asset of £3,601,000 (2014: £3,901,000), in respect of excess expenses of £20,005,000 (2014: £18,578,000), has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

8 (LOSS)/RETURN PER ORDINARY SHARE – UNDILUTED AND DILUTED

		year ended 31.12.2015			year ended 31.12.2014	
	revenue	capital	total	revenue	capital	total
Net (loss)/return per ordinary share – pence	(0.14)	20.24	20.10	(0.45)	2.91	2.46
Net (loss)/return on ordinary activities after taxation for the year – £'000	(160)	23,087	22,927	(509)	3,312	2,803

The (loss)/return per ordinary share is based on 114,076,562 ordinary shares (2014: 113,966,379) being the weighted average number of ordinary shares in issue during the year. There are no diluted (losses)/returns for the year (2014: none) as in both years the average ordinary share price was below the exercise price of the subscription shares in issue.

Notes to the Financial Statements

	2015 £'000	2014 £'000
9 INVESTMENTS		
Investments at fair value through profit or loss		
Listed overseas investments	115,532	82,486
Opening fair value of investments		
Opening book cost	75,964	80,293
Opening investment holding gains	6,522	3,738
	82,486	84,031
Movements in the year		
Purchases at cost	165,380	64,119
Sales – proceeds	(153,466)	(66,717)
Sales – realised gains/(losses) on sales	12,378	(1,731)
Movement in investment holding gains in the year	8,754	2,784
Closing fair value of investments	115,532	82,486
Closing book cost	100,256	75,964
Closing investment holding gains	15,276	6,522
Closing fair value of investments	115,532	82,486

	year ended 31.12.2015 £'000	year ended 31.12.2014 £'000
Gains on investments at fair value through profit or loss for the year		
Realised gains/(losses) on sales of investments	12,378	(1,731)
Investment holding gains	8,754	2,784
	21,132	1,053

Costs of investment transactions for the year

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

	2015	2014
Purchase transaction costs	97	61
Sales transaction costs	93	52
	190	113

The portfolio turnover rate for the year ended 31 December 2015 was 128.7% (2014: 56.7%).

Notes to the Financial Statements

10 DERIVATIVE INSTRUMENTS

	2015 fair value £'000	2015 portfolio exposure £'000	2014 fair value £'000	2014 portfolio exposure £'000
Derivative instruments at fair value through profit or loss				
Long CFDs – assets	1,056	6,426	7,296	28,109
Long CFDs – liabilities	(1,117)	13,294	(139)	2,954
	(61)	19,720	7,157	31,063

	year ended 31.12.2015 £'000	year ended 31.12.2014 £'000
Gains on derivative instruments at fair value through profit or loss		
Gains on long CFD positions closed	9,935	1,533
Movement in investment holding (losses)/gains on long CFDs	(7,218)	1,315
	2,717	2,848

11 DEBTORS

	2015 £'000	2014 £'000
Securities sold for future settlement	752	375
Amount receivable on ordinary shares issued	–	1
Accrued income	243	187
Other debtors	68	367
	1,063	930

12 CREDITORS

	2015 £'000	2014 £'000
Securities purchased for future settlement	255	404
Other creditors	499	459
	754	863

Notes to the Financial Statements

13 SHARE CAPITAL

	2015 number of shares	2015 £'000	2014 number of shares	2014 £'000
Issued, allotted and fully paid:				
Ordinary shares of 25 pence each				
Beginning of the year	114,002,375	28,501	113,954,834	28,489
Issue of ordinary shares on the conversion of rights attached to subscription shares	215,981	54	47,541	12
End of the year	114,218,356	28,555	114,002,375	28,501
Subscription shares of 0.001 pence each				
Beginning of the year	22,743,320	–	–	–
Bonus issue of subscription shares	–	–	22,790,861	–
Exercise of rights attached to subscription shares and conversion into ordinary shares	(215,981)	–	(47,541)	–
End of the year	22,527,339	–	22,743,320	–
Total share capital		28,555		28,501

A 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 gives the holder the right, but not the obligation, on the last business day of each month to subscribe for one ordinary share upon payment of the subscription price of 86.50 pence.

The final date to exercise these rights is 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. Any resulting profit will be paid to the holders of those outstanding subscription shares.

14 RESERVES

The share premium account represents the amount by which the proceeds from the issue of ordinary shares, on the exercise of rights attached to subscription shares, 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.

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 no current intention to pay dividends out of this reserve.

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.

Notes to the Financial Statements

15 NET ASSET VALUE PER SHARE

The undiluted net asset value per ordinary share is based on net assets of £116,000,000 (2014: £92,886,000) and on 114,218,356 (2014: 114,002,375) ordinary shares, being the number of ordinary shares in issue at the year end.

The diluted net asset value per ordinary share is calculated on the basis of what the financial position would have been if all the rights attaching to the 22,527,339 outstanding subscription shares at 31 December 2015 had been exercised on that date. This basis of calculation is in accordance with guidelines laid down by the Association of Investment Companies. Undiluted and diluted net asset values per ordinary share are provided to the London Stock Exchange on a daily basis. There was no dilution of the net asset value per ordinary share at 31 December 2014 because the net asset value per ordinary share was below the 86.50 pence per share exercise price of the subscription shares in issue.

16 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 12 and 13. This note 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 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. The Company is, therefore, exposed to financial risk as a result of increases in yen interest rates.

Interest rate risk profile

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

	2015 £'000	2014 £'000
Exposure to financial instruments that bear interest		
Long CFDs – portfolio exposure less fair value	19,781	23,906
Less: exposure to financial instruments that earn interest		
Cash at bank	(220)	(3,176)
Net exposure to financial instruments that bear interest	19,561	20,730

Notes to the Financial Statements

16 FINANCIAL INSTRUMENTS continued

Foreign currency risk

The Company's net return on ordinary activities after taxation for the year and net assets are affected by foreign exchange movements because the Company has income, assets and liabilities which are denominated in yen, whereas, the Company's base currency is UK sterling. The Company may also be subject to short term exposure from exchange rate movements, for example, between the date when an investment is bought or sold and the date when settlement of the transaction occurs.

The Company does not hedge the UK sterling value of investments or other assets priced in yen by the use of derivative instruments. Long CFDs are held for gearing purposes.

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.

Currency exposure of financial assets

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

2015	investments 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	115,532	19,720	995	218	136,465

2014	investments 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

Notes to the Financial Statements

16 FINANCIAL INSTRUMENTS continued

Currency exposure of financial liabilities

The Company's financial liabilities comprise the gearing effect of the long CFDs held, which is the portfolio 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:

	2015 gearing effect of exposure to long CFDs £'000	2015 short term creditors £'000	2015 total £'000
Financial liabilities held in yen	19,781	255	20,036

	2014 gearing effect of exposure to long CFDs £'000	2014 short term creditors £'000	2014 total £'000
Financial liabilities held in yen	23,906	405	24.311

Other price risk

Other price risk arises mainly from uncertainty about future prices of financial instruments owned by the Company. It represents the potential loss the Company may suffer through holding market positions in the face of price movements. The Manager is responsible for actively monitoring the existing portfolio, which is selected in accordance with the overall asset allocation parameters described above, and the Manager seeks to ensure that individual stocks also meet an acceptable risk/reward profile.

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 have an adequate credit rating, 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 2015, £92,000 (2014: £7,916,000) was held in government bonds on behalf of the Company, in a segregated collateral account, 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 approval is reviewed on an ongoing basis. At the year end, the exposure to credit risk includes outstanding securities transactions, the fair value of long CFDs and cash at bank.

Notes to the Financial Statements

16 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 previously. Derivative instruments are used by the Manager to gain unfunded long exposure to equity markets, sectors or single stocks. "Unfunded" exposure is exposure gained without an initial outflow of capital. The risk and performance contribution of these instruments to the Company's portfolio is overseen by the Manager's 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 on portfolio construction.

RISK SENSITIVITY ANALYSIS

Risk sensitivity analysis is used by the Manager to measure the Company's exposure to risks.

Interest rate risk sensitivity analysis

If interest rates had increased by 0.25% and the Company's net exposure to financial instruments that bear interest at 31 December 2015 had been held throughout the year, with all other variables remaining constant, net return on ordinary activities after taxation for the year and net assets would have decreased by £49,000 (2014: £52,000). A decrease in interest rates by 0.25% would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

If the UK sterling exchange rate had strengthened against the yen by 10% at 31 December 2015, with all other variables remaining constant, net return on ordinary activities after taxation for the year and net assets would have decreased by £10,584,000 (2014: £8,477,000). A 10% weakening of the UK sterling exchange rate against the yen would have increased net return on ordinary activities after taxation for the year and net assets by £12,936,000 (2014: £10,361,000).

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 12 and 13.

Investments exposure sensitivity analysis

An increase of 10% in the price of shares held as investments at 31 December 2015 would have increased net return on ordinary activities after taxation for the year and net assets by £11,553,000 (2014: £8,249,000). 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 2015 would have increased net return on ordinary activities after taxation for the year and net assets by £1,972,000 (2014: £3,106,000). A decrease of 10% would have had an equal but opposite effect.

Notes to the Financial Statements

16 FINANCIAL INSTRUMENTS continued

FAIR VALUE HIERARCHY

The Financial Reporting Council defines a 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 measure their fair value.

Classification	Valued by reference to
Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (i.e. for which market data in unavailable) for the asset or liability.

The table below sets out the fair value hierarchy of the Company's financial instruments held at fair value on the Balance Sheet.

	2015			2014		
	Level 1 £'000	Level 2 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Total £'000
Financial instruments held at fair value						
Fixed assets – investments in listed equities	115,532	–	115,532	82,486	–	82,486
Derivative assets – long CFDs	–	1,056	1,056	–	7,296	7,296
Derivative liabilities – long CFDs	–	(1,117)	(1,117)	–	(139)	(139)
	115,532	(61)	115,471	82,486	7,157	89,643

17 CAPITAL MANAGEMENT

The Company does not have any externally imposed capital requirements. The capital of the Company comprises its gearing, which is managed by the use of long CFDs, and its issued share capital and reserves, as disclosed on the Balance Sheet above. Capital is managed in accordance with the Company's investment policy and in pursuit of its investment objective, both of which are detailed in the Strategic Report on page 11. The principal risks facing the Company and their management are disclosed in the Strategic Report on pages 12 and 13 and in Note 16 above.

18 RELATED PARTY TRANSACTIONS

The Company has identified the Directors as related parties. Key management compensation paid was £155,000 (2014: £130,000). This includes fees and travel expenses paid to the Directors and £13,000 (2014: £12,000) of Employer's National Insurance contributions. Details of Directors' remuneration and their interests in the shares of the Company are disclosed in the Directors' Remuneration Report on pages 33 and 34.

Notice of Meeting

Notice is hereby given that the AGM of Fidelity Japanese Values PLC will be held at 25 Cannon Street, London EC4M 5TA, on 24 May 2016 at 12 noon for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2015.

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

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

4. To re-elect Ms Mami Mizutori as a Director.

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

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

7. To approve the Directors' Remuneration Report (excluding the section headed The Remuneration Policy set out on page 32) for the year ended 31 December 2015.

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

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

To consider and, if thought fit, to pass the following resolutions of which Resolutions 10 and 11 will be proposed as ordinary resolutions and Resolutions 12 and 13 as special resolutions:

Continuation vote

10. To approve that the Company continues to carry on business as an investment trust.

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 (or sell any ordinary shares which the Company elects to hold in Treasury) for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The limit set by the Board is 5% of the number of ordinary shares of the Company in issue on 31 March 2016. The Directors will only issue new shares, or dispose of ordinary shares held in Treasury, under this authority to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so. Any ordinary shares held in Treasury would only be re-issued at a premium to net asset value per share.

11. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares relevant securities (as defined in that section) up to an aggregate nominal amount of £1,422,479 (approximately 5% of the aggregate nominal amount of the issued ordinary share capital of the Company as at 31 March 2016) and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authority to expire at the conclusion of the next AGM of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired.

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

    a) to the allotment of equity securities or sale of Treasury shares up to an aggregate nominal amount of £1,422,479 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 31 March 2016); and

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

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

Authority to repurchase shares

Resolution 13 is a special resolution which, if approved, will renew the Company's authority to purchase its ordinary shares in issue (excluding Treasury shares) on 31 March 2016 for immediate cancellation or for retention as Treasury shares, at the determination of the Board. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases of ordinary shares will be made at the discretion of the 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.

Notice of Meeting

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 17,058,373 ordinary shares;

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

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

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

       (ii) the higher of the price quoted for the last independent trade and the highest current independent bid as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buyback programmes and stabilisation of financial instruments (no. 2233/2003);

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

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

By Order of the Board
FIL Investments International
Secretary
31 March 2016

Notes:

1. A member of the Company entitled to attend and vote at the AGM 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 AGM 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 Registrar at the address on the form to arrive not later than 12 noon on 20 May 2016. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if they so wish.

3. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrar, 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 20 May 2016. 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 20 May 2016.

6. All members are entitled to attend and vote at the AGM and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at 5.30pm on 20 May 2016.

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 AGM (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 20 May 2016. 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 31 March 2016 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 113,798,356 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the Company as at 31 March 2016 was 113,798,356. As at 31 March 2016, there were no shares held in Treasury by the Company.

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 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 AGM or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the Annual Report and Financial Statements were laid. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with such requests. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.

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

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

Note: Please see the Shareholder Information section on pages 58 and 59 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 AGM. Similarly the Company's pages of the Manager's website at www.fidelity.co.uk/its may not be used to send documents or instructions for the AGM.

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

Financial Calendar

The key dates in the Company's calendar are:

31 December 2015 – financial year end

31 March 2016 – announcement of results for the year ending 31 December 2015

April 2016 – publication of this report

24 May 2016 – AGM

30 June 2016 – Half-Year end

July/August 2016 – announcement of Half-Yearly results to 30 June 2016

August 2016 – publication of Half-Yearly report

Shareholder Information

INVESTING IN FIDELITY JAPANESE VALUES PLC

As Fidelity Japanese Values PLC is a company listed on the London Stock Exchange you can buy its shares through a stockbroker, share shop or bank.

Fidelity also offers a range of options, so that you can invest in a way that is best for you. Details of how to invest can be found on Fidelity's website at www.fidelity.co.uk/its.

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 updated information, for example a change of address, should contact the appropriate administrator:

Holders of ordinary shares

Capita Asset Services, Registrar to Fidelity European Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone: 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 am–5.30 pm, Monday to Friday excluding public holidays in England and Wales).
email: shareholderenquiries@capita.co.uk

Details of individual shareholdings and other information can also be obtained from the Registrar's website at 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 dependent on the tariff. 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 International, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ

General enquiries

FIL Investments International, Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP
Telephone: 01732 361144.
Website: www.fidelity.co.uk/its

Online Shareholder Services – Share Portal

Through the Registrar's website at www.capitashareportal.com, 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 forms such as change of address, stock transfer and dividend mandate forms as well as buy and sell shares in the Company.

Should you have any queries in respect of the above facilities, please contact the Capita Share Portal helpline on 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 am–5.30 pm, Monday to Friday excluding public holidays in England and Wales) or by email 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 0371 664 0445 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 8.00 am–4.30 pm, Monday to Friday excluding public holidays in England and Wales). The Capita Share Dealing Services also allows you 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 a Fidelity 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.

Shareholder Information

MANAGER AND ADVISORS

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

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

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

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

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

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

Financial Adviser and Stockbroker
Canaccord Genuity Ltd
88 Wood Street
London
EC4V 7QR

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

PRICE INFORMATION

The share price of the ordinary shares is published daily in the Financial Times under the heading "Investment Companies" and in The Times, The Daily Telegraph and The Independent and is also available at www.fidelity.co.uk/its.

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

COMPANY INFORMATION

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

NAV INFORMATION

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

CAPITAL GAINS TAX

All UK individuals under present legislation are permitted to have £11,100 of capital gains in the current tax year 2015/2016 (2014/2015: £11,000) before being liable for capital gains tax. Capital gains tax is charged at 18% and 28% dependent on the total amount of taxable income. From 6 April 2016, this will be cut from 28% to 20% and the basic rate from 18% to 10%.

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 shareholders. 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.

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

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.

Glossary of Terms

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.

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

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

NET ASSET VALUE PER ORDINARY SHARE – UNDILUTED
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 daily 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 existing 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. The Company seeks the permission of shareholders to do so at its Annual General Meetings allowing it to repurchase a proportion of their total shares (up to 14.99%) in the market at prices below the prevailing net asset value per share. This process is also used to enhance the net asset value per share and to reduce the discount to net asset value.

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).

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

Alternative Investment Fund Manager's Disclosure

In compliance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Board appointed FIL Investment Services (UK) Limited ("FISL") (a Fidelity group company) as the Company's Alternative Investment Fund Manager ("AIFM"). FISL has delegated the portfolio management and company secretarial function to FIL Investments International (another Fidelity group company). Details of the Management Agreement can be found in the Directors' Report on page 23.

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	The AIFM has a responsibility for risk management for the Company which is in addition to the Board's corporate governance responsibility for risk management. The Company has a Risk Management Process Document which is agreed with the Board and demonstrates that risk management is separated functionally and hierarchically from operating units and demonstrates independence safeguards. The Manager maintains adequate risk management systems in order to identify, measure and monitor all risks at least annually under the AIFMD. The Manager is responsible for the implementation of various risk activities such as risk systems, risk profile, risk limits and testing. The Board, as part of UK corporate governance, 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 16 to the Financial Statements on pages 49 to 53.
Valuation of illiquid assets	The AIFMD 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 61.	The maximum leverage limits are 1.80 for the Gross Method and 1.50 for the Commitment Method. There has been no change to the maximum level of leverage that the Company may employ during the year. At 31 December 2015, actual leverage was 1.17 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 16 on page 51.
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 reporting year will not commence until after the AIFM's first full performance year which is 30 June 2016. 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 59.

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