

Fidelity Japanese Values PLC

Annual Report

For the year ended 31 December 2008



Managed by



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Objective and Highlights



William Thomson,
Chairman

To achieve long term capital growth from an actively managed portfolio of securities primarily of small and medium-sized Japanese companies listed or traded on Japanese stockmarkets

Detail of the Company's investment policy is on pages 14 and 15

Performance

Net Asset Value ("NAV") Total Return	-19.6%
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Share Price Total Return	-28.6%
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Russell Nomura Mid/Small Cap Index	+4.4%
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Equity Shareholders' Funds	£51.2m
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Market Capitalisation	£39.9m
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Capital Structure: Ordinary shares of 25p, 95,577,453 as at 31 December 2008

Standardised Performance (on a total return basis)

	01/01/2004 to 31/12/2004	01/01/2005 to 31/12/2005	01/01/2006 to 31/12/2006	01/01/2007 to 31/12/2007	01/01/2008 to 31/12/2008
NAV (debt at par)	+17.9%	+73.4%	-35.6%	-16.2%	-19.6%
Share price	+21.1%	+110.9%	-43.6%	-20.4%	-28.6%

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

Financial Summary

	2008	2007	% change
Assets at 31 December			
Total assets employed ¹	£75.17m	£79.03m	-4.9
Shareholders' funds	£51.21m	£64.69m	-20.8
Borrowings as % of shareholders' funds	46.8%	22.2%	
Borrowings less cash as % of shareholders' funds ²	28.5%	20.7%	
NAV per share	53.58p	66.67p	-19.6
Results for year to 31 December – see page 30			
Capital loss per ordinary share	(13.23p)	(12.52p)	
Revenue loss per ordinary share	(0.12p)	(0.49p)	
Stockmarket Data at 31 December			
Russell Nomura Mid/Small Cap Index ³	1.8135	1.7376	+4.4
Yen/£ exchange rate	132.72	221.69	40.1
Share price year end	41.75p	58.50p	-28.6
high	62.00p	83.00p	
low	30.75p	55.50p	
(Discount)/Premium year end	(22.1)%	(12.3)%	
low	(24.5)%	(17.5)%	
high	(3.6)%	1.4%	
Returns for the year to 31 December			
NAV	-19.6%	-16.2%	
Share price	-28.6%	-20.4%	
Russell Nomura Mid/Small Cap Index ³	+4.4%	-8.5%	
Total Expense Ratio ⁴	1.98%	1.65%	

1 total assets less current liabilities, excluding fixed term loan liabilities

2 cash includes cash held at bank and cash held as collateral with lender

3 sterling adjusted

4 operating expenses (excluding interest) before tax based on average daily shareholders' funds

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

Chairman's Statement

For the year ended 31 December 2008

The Year's Results: NAV 53.58p (-19.6%)

The Share Price and the Discount:

Price: 41.75p (down 16.75p; -28.6%)

Discount: 22.1% (12.3% in 2007)

PERFORMANCE REVIEW

The net asset value fell by 13.09p per share during 2008. This was a fall in absolute terms and also represented an underperformance relative to our Benchmark Index, the Russell Nomura Mid/Small Cap Index (when expressed in sterling). So what happened? The year can be split into two parts. Performance in the first half of 2008 was strong and your Company's shares outperformed its Benchmark Index as well as its peer group. However, after the summer renewed concerns about a global recession and the negative effect of yen appreciation on Japanese corporate earnings triggered a series of violent declines. In the second half of the review period, your Company's holdings in technology exporters and commodity-price-sensitive stocks severely undermined performance, both in absolute and relative terms and this more than removed the gains of the first half.

For the year as a whole, as can be seen from the attribution analysis below, the fall in markets accounted for 25.15p of the decline in net asset value per share and stock selection by the Portfolio Manager a further 6.52p. However, the decline was partially offset by currency gains (+28.67p). Unfortunately the share price fell by a further 16.75p reflecting a widening of the discount to 22.1% due to lack of interest in Japanese smaller companies.

Performance was further weakened by the effect of gearing (-8.83p) which had risen because of the decline in gross assets, although this was partly offset by the yen's appreciation against sterling. The Board's view is that over the longer term the portfolio will benefit from an eventual recovery in the stockmarket and therefore

	Year ended 31 December 2008 (pence)	3 years to 31 December 2008 (pence)
Opening Net Asset Value	66.67	123.56
Impact of the Index (in yen terms)	-25.15	-59.08
Impact of stock selection (in yen terms)	-6.52	-19.57
Impact of exchange rate, cash and residual	28.67	29.80
Impact of gearing (in yen terms)	-8.83	-16.83
Impact of share repurchasing	0.12	0.15
Impact of other costs	-1.38	-4.45
Net Asset Value	53.58	53.58

to reduce borrowings at a depressed level of the market is not in the long-term interests of shareholders.

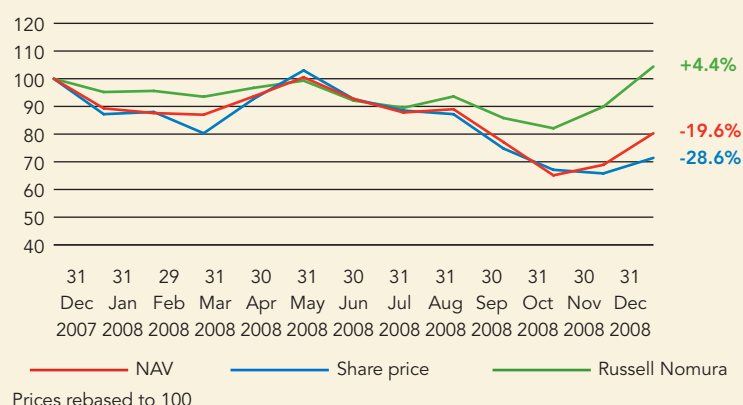
MARKET REVIEW

2008 proved to be an extraordinary year and a very disappointing one for equity investors. The financial crisis that dawned in 2007 evolved into a truly global phenomenon, as shockwaves reverberated from its epicentre in the US across Western Europe, Asia and into emerging markets. In the autumn, the collapse of Lehman Brothers and the rejection of the US government's initial bailout plan marked a watershed that sent equity markets into freefall and unleashed unprecedented levels of volatility. While Japan was far less exposed to the leverage and asset market excesses that dominated Western economies, the synchronised global downturn that gathered pace towards the end of the year dealt a severe blow to its export-dependent economy. This situation was exacerbated by the yen's steep appreciation against both the US dollar and the euro. Industries that drove Japan's longest period of post-war growth were hardest hit, with auto and electrical machinery companies seeing a sharp drop in demand. By the end of the year, the Bank of Japan had cut its rate to a mere 0.1% and adopted a range of measures aimed at easing financing conditions. Although the government announced two stimulus plans, at the time of writing neither had yet been implemented. Over the year, Japanese small-cap stocks outperformed larger companies for the first time in three years, a trend that reflected investors' preference for domestic-oriented names over those exposed to the risks of global recession and a strong yen.

GEARING

The Company's loans with Royal Bank of Scotland are due for repayment this year and the extent to which these will be renewed is being kept under the most careful scrutiny. Cash has been lodged with the Bank to ensure that the Company's levels of net

Performance for the year to 31 December 2008



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

Chairman's Statement

gearing remain within the loan covenants and further details of this are provided in the financial statements. Additional cash is also currently held by the Company to reduce the overall level of net gearing.

THE BOARD

Your Board continues to monitor corporate governance issues, reviewing and updating processes as appropriate. In accordance with the Listing Rules, Simon Fraser, following an evaluation of his performance by his fellow Directors and on their recommendation, will seek re-election at the forthcoming Annual General Meeting. Simon Fraser retired from his executive responsibilities at Fidelity in 2008, however he has agreed to continue his directorship of the Company. Simon retires and seeks re-election on an annual basis due to his recent employment relationship with the Manager and his directorship of another investment trust managed by Fidelity, namely Fidelity European Values PLC. Having been on the Board for more than nine years I will also retire and, following an evaluation of my performance by my fellow Directors and on their recommendation, I will seek re-election at the forthcoming Annual General Meeting.

SHARE REPURCHASES

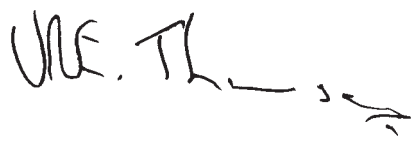
Purchases of shares for cancellation are made at the discretion of your Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Share repurchases will only be made when they will result in an enhancement to the NAV for the remaining shareholders. In recent years share repurchases have been used sparingly due to their impact on liquidity and gearing. However, in the year to 31 December 2008 1,450,000 shares were repurchased. Your Board continues to believe that the ability to repurchase shares is a valuable tool and therefore a resolution to renew your Company's authority to repurchase shares will be proposed at the forthcoming Annual General Meeting.

ANNUAL GENERAL MEETING – 14 MAY 2009

The Annual General Meeting will be held at midday on 14 May 2009 at Fidelity's offices at 25 Cannon Street in the City of London and all investors are encouraged to attend. It is the one occasion in the year when shareholders can meet all of the Directors as well as representatives from the Manager. Following the meeting the Portfolio Manager will give a presentation on the past year and the prospects for the current year.

OUTLOOK

At the time of writing, the downturn has already engulfed most of the developed and developing world and appears to be gathering momentum. Current share prices reflect the likelihood that corporate results are expected to deteriorate in coming months and the second half of the Japanese fiscal year of 2008 (ending 31 March 2009) is shaping up as one of the worst periods in Japan's post-war economic history. In fact, the International Monetary Fund recently issued a forecast which said that the Japanese economy would contract by 2.6% in 2009, a sharp downgrade from its previous estimate of a 0.2% decline. As we witnessed in the Japanese third-quarter results season (ending 31 December 2008), Japanese companies are coming to terms with an increasingly difficult operating environment and the balance of earnings revisions is likely to remain deeply negative for the time being. Announcements of rationalisation efforts, cost cutting and staff reductions are also set to continue. On a more positive note, global policy makers have responded to the crisis by releasing an unprecedented wave of fiscal and monetary policy easing. As the year progresses, these measures should start to take effect and we could start to see an improvement in sentiment as the crisis bottoms out. Stockmarkets will undoubtedly anticipate recovery, although it is too early to see specific pointers as to when this will take place. However, as the Manager's Review states, the immediate outlook remains uncertain and the future direction of share prices will be partly determined by the ultimate depth of the current crisis and its effect on corporate earnings. Small-cap stocks appear attractive both on an absolute basis and relative to their larger counterparts and it is possible that they will start recovering ahead of a wider rebound as was the case following a market bottom in 2003.



William Thomson

Chairman

16 March 2009



FIL INVESTMENTS INTERNATIONAL

The Company is managed by FIL Investments International (which is authorised and regulated by the Financial Services Authority). FIL Investments International is part of the FIL Limited group which, as at 31 December 2008, had total assets under management exceeding £100 billion.



SHINJI HIGAKI (age 39)

Shinji Higaki has been managing the Company's portfolio since September 2007. He has recently started managing a retail Japanese smaller companies fund. He joined Fidelity in 1999 as an equity research analyst prior to which he was employed as an auditor of Chuo Audit Corporation in Tokyo. Shinji received an MBA from the London Business School and a Bachelor of Arts from Keio University.

PERFORMANCE REVIEW

The net asset value of the Company fell by 19.6% compared with a 4.4% gain in the Russell Nomura Mid/Small Cap Index (all figures in sterling terms).

This review period was an extraordinary one as financial markets deteriorated in dramatic fashion amidst elevated levels of volatility that had not been seen for many years. What started as the deflation of a credit bubble in the Anglo-Saxon orientated economies quickly spread into a global financial crisis where the very stability of the capitalist banking system was seriously questioned. Whilst at the beginning of the review period some had argued that Japan and Asia could "decouple" from this process, the lack of credit available quickly exerted a meaningful effect on the real economy of all nations. Japan remains a very cyclically orientated economy and growth suffered accordingly. In this environment, Japanese equities suffered a series of sharp declines and by October had fallen to their lowest level since 1984. The broad market in Japan measured by the TOPIX fell by 41.8% in Japanese yen terms, but in sterling terms, it declined marginally by 0.8% and outperformed other developed markets. During the review period, the Japanese yen sharply appreciated against the sterling pound by 41.4%, which aided market returns in sterling terms. Small cap stocks underperformed their larger counterparts until October, but their performance gained momentum during the final two months of the year and ended the year outperforming the broad market. This mirrors investors' aversion to large cap stocks that are exposed to risks of a global economic cycle and currency losses, whereas small cap companies in general are more domestically-oriented and somewhat insulated from the global economic downturn. Sector rotation within the small cap universe in 2008 was quite similar to that within the large cap space. Defensive sectors such as pharmaceutical and

electric power & gas fared better, while cyclical sectors including transport equipment, nonferrous metals, precision machinery and mining fell sharply.

PORTFOLIO REVIEW

In the first half of the review period, your Company outperformed its Benchmark, the Russell/Nomura Mid Small Cap Index, and it was the best performing investment trust within its peer group. This was largely attributable to holdings in trading companies that benefited from strong commodity prices and in glass makers that produce glass components for LCD panels. However, the trend quickly reversed in the second half, as the global downturn started to deepen. The Company's relatively large exposure to cyclical stocks in the glass & ceramics, machinery, wholesale trade, and electrical machinery sectors - major contributors to the outperformance in the first half - became detractors in the second half of the review period. We subsequently reduced positions in cyclical stocks in the portfolio and put more emphasis on domestic companies that are less exposed to the global economic cycle. However, your Company's exposure to defensive stocks was not big enough to offset declines in cyclical stocks.

Nippon Electric Glass (NEG) was the single largest detractor from the Company's relative returns over the year under review. Another major detractor in the glass & ceramics sector was Asahi Glass. Both NEG and Asahi Glass produce glass substrate for LCD panels. We believed that they would continue to benefit from the secular growth trend in the LCD market, as the flat panel TV market was growing rapidly and the average size of a TV panel was increasing. However, TFT-LCD panel and component prices started to decline after the summer as an economic slowdown in the US and other developed countries gathered pace. Although conditions are likely to remain tough in 2009, both companies remain in the

Manager's Review

portfolio's core holdings. They are trading at historically low valuations and we believe that their strong balance sheets should help them weather the current down cycle. In the machinery sector, a niche machinery maker, Produce, hurt performance. The Japanese SEC's investigation into the firm's accounting irregularities was followed by a declaration of bankruptcy. We sold out of the position in the firm before it was de-listed from the exchange in October. In the wholesale trade sector, holdings in trading companies Mitsui & Co and Mitsubishi Corp proved detrimental. Their share prices continued to fall in tandem with oil prices, as they have a large exposure to energy businesses. Despite the cyclical headwinds, we have maintained overweight positions in both Mitsui and Mitsubishi. Currently they are trading below their book value but our analysis suggests that there is significant room for re-rating. Elsewhere, overweight positions in technology exporters in the electrical machinery sector further detracted from relative returns. Both consumer electronics makers and component makers in the same value chain slashed their earnings projections by more than half due to slowing demand and a stronger yen. On a positive note, holdings in the domestic consumer sectors that are more insulated from the global downturn and a stronger yen achieved solid gains. Major contributors included a food container producer FP Corporation, an operator of internet portal sites Kakaku.Com and a revolving sushi restaurant chain Kappa Create.

As the market environment became increasingly uncertain, we tried to strike a balance between exposure to attractively-valued companies that have not been derailed from their long-term growth path despite near-term earnings disappointment and to companies with good short-term earnings visibility. During the second half of the review period, we reduced exposure to cyclical stocks. In the chemicals sector, there were risks of earnings downgrades by electronic material producers due to production cuts in LCD panels and semiconductors. We closed the position in Hitachi Chemical and trimmed weights in JSR and Daicel Chemicals. Concerns about earnings downgrades also prompted us to close the position in shipping company Kawasaki Kisen in the marine transportation sector. We also moved to underweight in technology exporters in the machinery and electrical appliance sectors while selectively maintaining overweight positions in undervalued, niche technology makers such as Hamamatsu Photonics, a precision machinery maker specialising in optical technology for sensors, measuring instruments and imaging processing, and Shinko Electric Industries, a major manufacturer of semiconductor flip chip packages. Conversely, we increased exposure to retailers and operators of restaurant chains whose earnings growth is relatively stable. A leader in the

e-commerce market, Rakuten was added to the portfolio. While department stores and other traditional retailers struggle to grow sales, the e-commerce retailers are growing their shares in the retail market. At the end of the review period, the key overweight sectors included services, retail trade and foods. The largest underweights were land transportation, banks and electric appliances.

OUTLOOK

Any comments on the future course of the Japanese and world economies needs to be prefaced with a realisation that the current scale of global monetary and fiscal policy easing against the backdrop of massive de-leveraging places us in uncharted territory. However, we believe that upside catalysts will remain in short supply in the near term, as macro economic conditions are deteriorating rapidly and as the risk appetite of investors has diminished. It is possible we will see another wave of downward earnings revisions towards the end of the current fiscal year ending March 2009. However, our recent dialogues with Japanese companies suggest that some of them expect their earnings to hit bottom in the coming month as production and inventory adjustments pick up speed.

In the past, it has been more difficult to justify stock valuations in Japan, particularly compared to similar stocks listed elsewhere in the world. Now, however, the Japanese price-to-book ratio seems to have gone a long way towards discounting the deteriorating macro economic fundamentals. It is also noteworthy that historically Japan has been one of the first countries to bottom out in a global economic cycle.

Although fundamentals in Japan are likely to remain weak over the near term and continue to be susceptible to global economic developments, a number of factors suggest that Japanese companies are well placed to withstand the current recession and emerge in a position of relative strength. Corporate as well as household balance sheets are generally healthy. Many firms have accelerated their restructuring efforts. Meanwhile, Japan continues to command technological competitive advantages and is actively developing new expertise in areas such as desalination, solar power and high-speed rail. Furthermore, at a time when many US and European companies are withdrawing from Asian markets, Japanese firms remain committed to the region and are likely to benefit from a reacceleration in growth once the global economy recovers. However, this does depend on the yen losing some of its high value. In the meantime, many cash-rich Japanese companies are actively expanding overseas, capitalising on a currently strong yen to acquire weaker peers and increase global market share.

Manager's Review

Most global investors believe that Japan has delivered weak market returns relative to other major stock market indices. However, that is a misperception anchored on the returns in the 1990s after the Japanese asset bubble burst. During the past 10 years, Japanese equities have actually outperformed stocks in the US and the UK by most measures. We believe this trend could continue because Japan has largely avoided the leverage and asset market excesses that have plagued many Western economies in recent years.

FIL Investments International

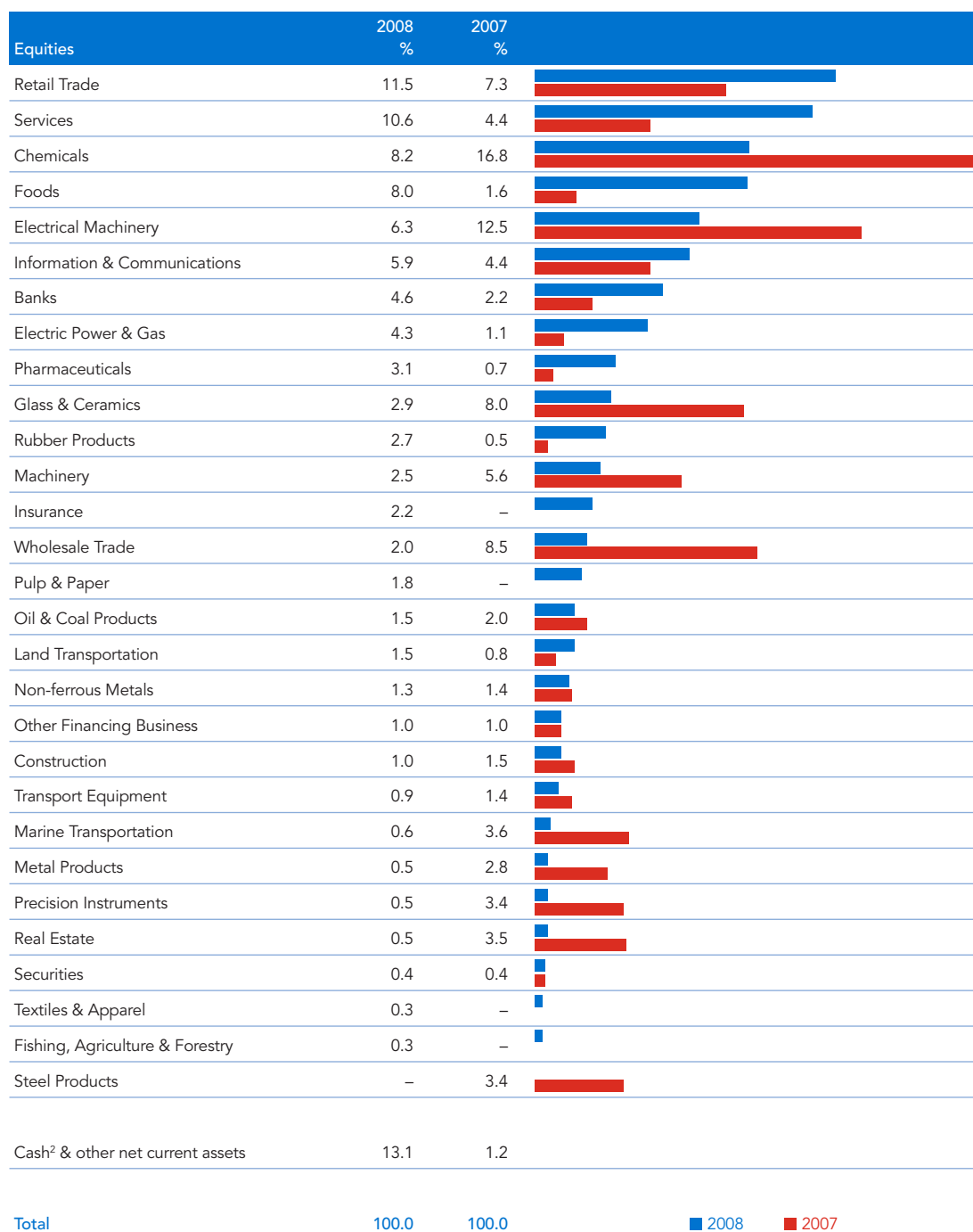
16 March 2009

Ten Largest Investments as at 31 December 2008 (The full portfolio is set out on pages 45 to 47)	Fair Value £'000	% ¹
Kappa Create General food retailing	1,861	2.5
Nissin Food Holdings Manufactures and sells instant noodles	1,598	2.1
Rakuten Engaged in e-commerce, credit payment, portal media, travel, and securities and sports businesses	1,519	2.0
FP Corporation Manufacturers polystyrene and synthetic resins	1,497	2.0
Sumitomo Rubber Industries Manufactures and sells tyres and tubes, sports items and industrial products	1,439	1.9
Sekisui Chemical Engaged in housing construction, housing materials, high-performance plastic segments and flat panel displays	1,369	1.8
Tsumura Manufactures and sells pharmaceutical and household goods	1,353	1.8
Zappallas Provider of information technology services	1,172	1.6
Toho Pharmaceutical Engaged in the pharmaceutical business	1,153	1.5
Ajinomoto General trading	1,103	1.5
Ten largest Holdings (2007: 23.1%)	14,064	18.7
Other Holdings (95) (2007: 75.7%)	51,260	68.2
	65,324	86.9
Cash² and other net current assets (2007: 1.2%)	9,841	13.1
	75,165	100.0

1 % total assets less current liabilities, excluding fixed term loan liabilities

2 Cash includes cash held at bank and cash held as collateral with lender

Distribution of the Portfolio¹ as at 31 December 2008



1 % total assets less current liabilities, excluding fixed term loan liabilities
2 Cash includes cash held at bank and cash held as collateral with lender

Summary of Performance

Historical Record as at 31 December	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Total assets employed (£m)	75	79	92	137	86	76	59	71	100	215	59
Shareholders' funds (£m)	51	65	78	121	70	59	42	54	73	186	42
NAV per share (p)	53.58	66.67	79.59	123.56	71.26	60.42	42.82	53.12	69.81	176.88	40.20
Share price (p)	41.75	58.50	73.50	130.25	61.75	51.00	35.00	41.25	63.75	161.75	28.75
Warrant price (p)	n/a	n/a	n/a	n/a	n/a	0.35	1.50	7.50	14.25	82.50	4.75
(Discount)/premium to NAV (%)	(22.1)	(12.3)	(7.7)	5.4	(13.3)	(15.6)	(18.3)	(22.3)	(8.7)	(1.4)	(28.5)
Revenue loss per ordinary share (p)	(0.12)	(0.49)	(0.68)	(1.02)	(0.89)	(0.65)	(0.69)	(1.22)	(2.01)	(1.64)	(0.65)
Dividend per ordinary share (p)	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil
Cost of running the Company (total expense ratio) (%)	1.98	1.65	1.46	1.83	1.83	1.93	1.63	1.93	1.52	1.50	1.88
Borrowings less cash as % of shareholders' funds (%) ¹	28.5	20.7	16.9	11.5	22.0	22.6	32.6	28.2	28.3	11.6	23.9
NAV (%)	-19.6	-16.2	-35.6	+73.4	+17.9	+41.1	-19.4	-23.9	-60.5	+340.0	+27.7
Share price performance (%)	-28.6	-20.4	-43.6	+110.9	+21.1	+45.7	-15.2	-35.3	-60.6	+462.6	+8.5

¹ Cash includes cash held at bank and cash held as collateral with lender
Sources: Fidelity and Datastream
Past performance is not a guide to future returns

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

PRICE INFORMATION

The market price of the ordinary shares is published daily in the Financial Times under the heading "Investment Trusts". The ordinary share price is also published in The Times, The Daily Telegraph and The Independent. You can also obtain current price information by phoning FT Cityline on 0906 843 0000, selecting option 2 and entering 4021 (all calls charged at 60p per minute on a per second basis from a BT landline. Charges for other telephone networks may vary). The Reuters code for Fidelity Japanese Values is FJVL.

NAV INFORMATION

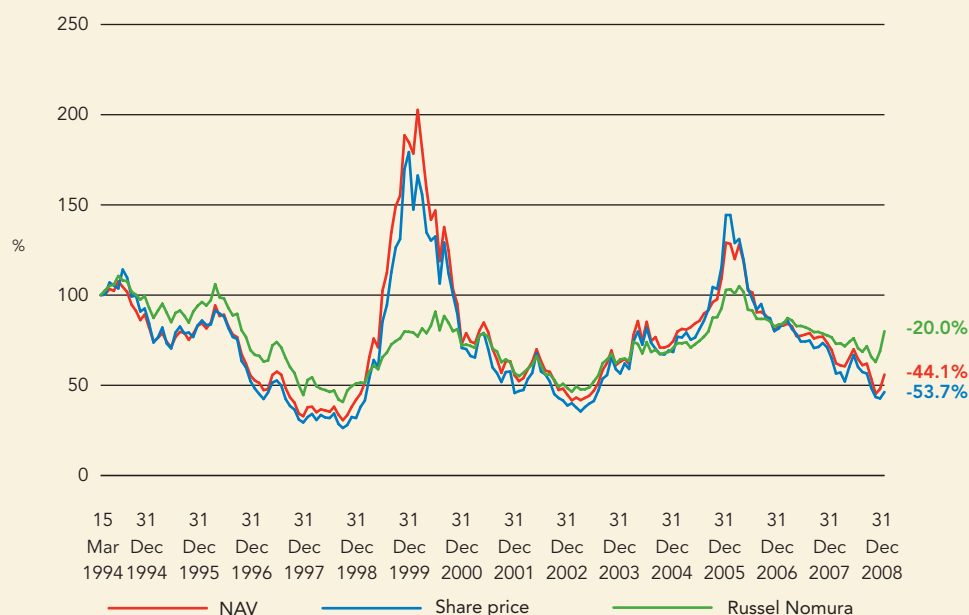
The net asset value of the Company is calculated on a daily basis and released to the London Stock Exchange.

CAPITAL GAINS TAX

Your Directors have been advised that, for the purposes of calculating an investor's possible liability to capital gains tax, the base cost of ordinary shares and warrants, acquired at the time of the Company's launch, is 90.21p. All UK individuals under present legislation are permitted to have £9,600 of capital gains in the current tax year 2008/2009 (£9,200 2007/2008 tax year) before being liable for capital gains tax. Whilst capital gains tax up until 5 April 2008 was charged at an individual's marginal rate, from 6 April 2008 capital gains tax is charged at a new rate of 18%.

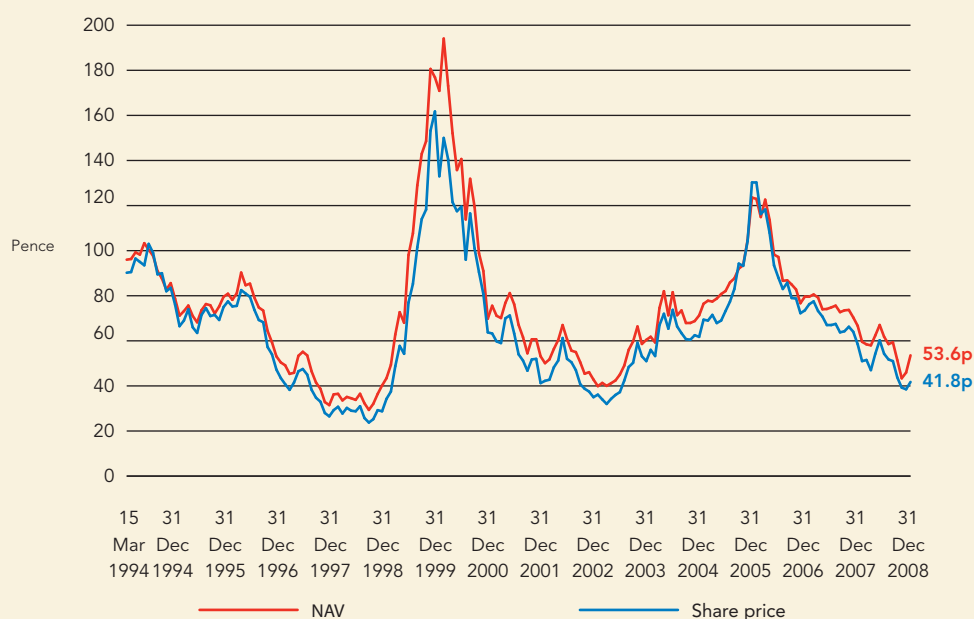
Summary of Performance

Total return performance from launch to 31 December 2008



Prices rebased to 100

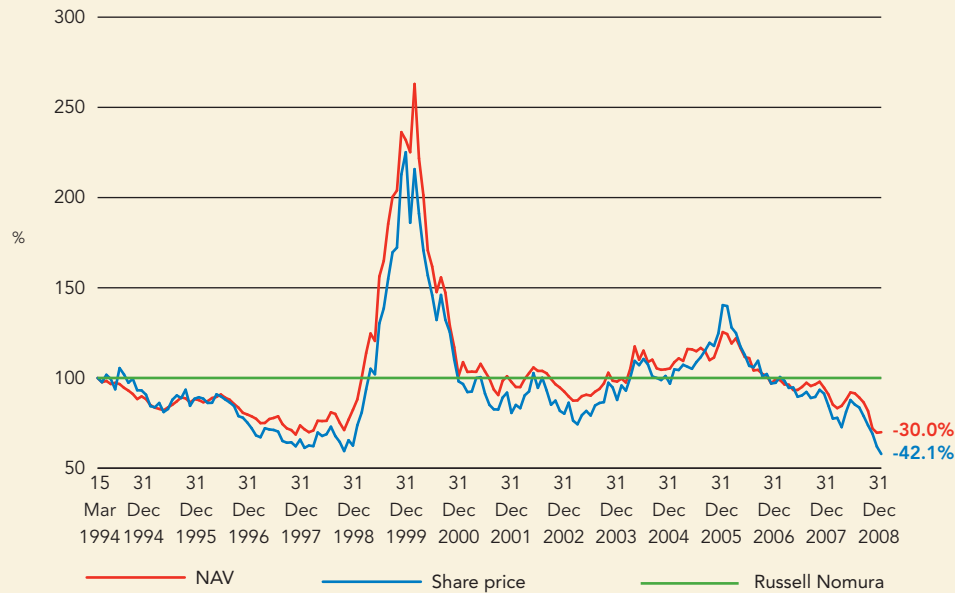
NAV and share price in pence from launch to 31 December 2008



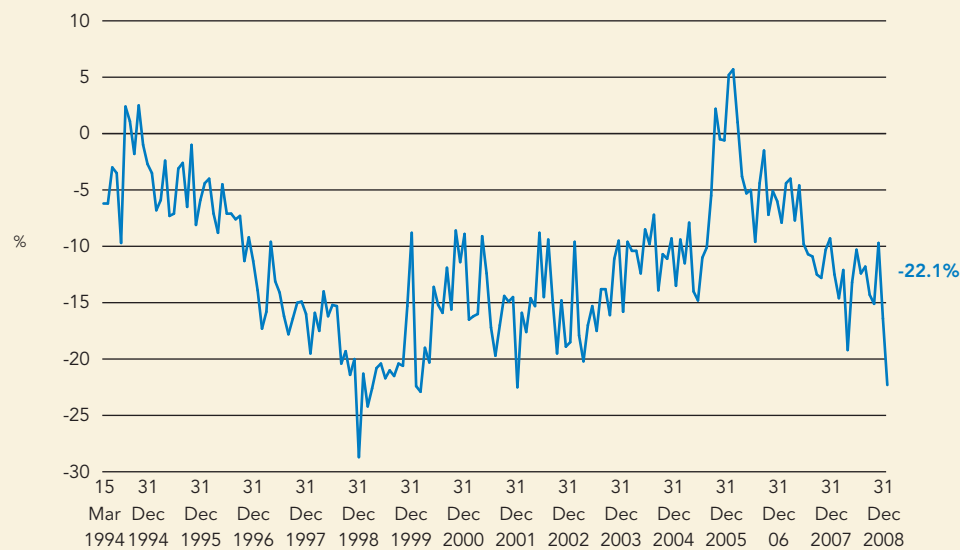
Sources: Fidelity and Datastream
Past performance is not a guide to future returns

Summary of Performance

Total return performance relative to the index from launch to 31 December 2008



Share price (discount)/premium to NAV from launch to 31 December 2008



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

Corporate Information

Board of Directors

William Thomson (Chairman)
Nicholas Barber, CBE (Senior Independent Director)
Simon Fraser
Philip Kay
David Miller, OBE

Manager, Secretary and Registered Office

FIL Investments International
Beech Gate, Millfield Lane
Lower Kingswood
Tadworth
Surrey
KT20 6RP

Financial Advisers and Stockbrokers

Collins Stewart
88 Wood Street
London
EC2V 7QR

Independent Auditor

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

Bankers and Custodian

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

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
HD8 0GA

Lawyers

Slaughter and May
One Bunhill Row
London
EC1Y 8YY



William Thomson¹

(Chairman) (age 68, date of appointment: 1 May 1997, date of appointment as Chairman: 31 December 2004) is Chairman of E G Thomson (Holdings) Limited. This business is primarily involved in the provision of shipping agency services in Asia. He is also non-executive Chairman of John Menzies plc and British Assets Trust plc.



Nicholas Barber, CBE²

(Senior Independent Director) (age 68, date of appointment: 4 December 2000, date of appointment as Senior Independent Director: 10 March 2005) is Chairman of Bolero International Limited. His executive career was with Ocean Group plc (later Exel PLC), with whom he spent a year in Japan; he was Group Chief Executive from 1986 to 1994.

Board of Directors



Simon Fraser

(age 49, date of appointment: 11 May 2000) spent 27 years at Fidelity but retired from his executive responsibilities at the end of 2008. He started his career at Fidelity in 1981 as an analyst and he has spent a number of years in Japan, most recently as Chief Investment Officer for the Asia/Pacific region. He returned to the UK in 1999 to take up the position of Chief Investment Officer for Fidelity International, a position he held until 2005. He remains a Senior Advisor to Fidelity. He was the Portfolio Manager for Fidelity Japanese Values PLC from its launch in 1994 until August 1997. He is also a director of Barclays PLC and Fidelity European Values PLC.



David Miller, OBE²

(age 62, date of appointment: 29 October 2004) 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.



Philip Kay²

(age 53, 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 a Japanese hedge fund, Akamatsu Fund, and was previously a director of Schroder Securities Limited and of Smith New Court PLC.

¹ Chairman of the Audit, Management Engagement and Nomination and Remuneration Committees

² Member of the Audit, Management Engagement and Nomination and Remuneration Committees

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2008.

The Company was incorporated in England and Wales as a public limited company on 7 January 1994 under the name of Savemargin Public Limited Company with the registered number 2885584.

STATUS

HM Revenue & Customs has approved the Company as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 December 2006 and has granted provisional approval for the year ended 31 December 2007, although this approval may be subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The Directors are of the opinion that the Company has subsequently conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under that Section.

The Company is not a close company and has no employees. The Company has given notice to the Registrar of Companies of its intention to carry on business as an investment company as defined in Section 833 of the Companies Act 2006 and operates as such.

BUSINESS REVIEW

INTRODUCTION

The Company is required to present a "Business Review", which provides a fair review of the Company and a description of the principal risks and uncertainties faced and includes an analysis of the performance of the Company, both during the financial year and the position at the year end, taking into account its objective, strategy and risks and how these are measured using Key Performance Indicators ("KPIs").

OBJECTIVE & STRATEGY

The primary objective of your Company is to enhance shareholder value, achieved through long term capital growth. The Company aims to achieve this with an actively managed portfolio of investments, consisting primarily of small and medium-sized Japanese companies listed or traded on Japanese stock markets. As part of the strategy the Board has delegated the management of the investment portfolio and certain other services to FIL Investments International. The Manager will aim to achieve a capital return on the Company's total assets over the longer term in excess of the equivalent return on the Russell Nomura Mid/Small Cap Index, as expressed in sterling.

ACTIVITY

The Company's activity is to pursue the objective through operating as an investment trust company. A review of the year's activities and an indication of likely future developments and the factors likely to affect this

are given in the Chairman's Statement on pages 3 and 4 and in the Manager's Review on pages 5 to 7. The Board supports these views.

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

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

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

A maximum of 15% of the Company's total assets may be invested in the securities of other investment trust companies. As at 31 December 2008 there were no such holdings in the Company's portfolio (2007: nil).

The Company's policy is to be geared in the belief that long term investment returns will exceed the cost of borrowing. The effect is that if markets move up the net asset value will be positively impacted and if markets move down the net asset value will be adversely impacted. Your Board is responsible for the level of gearing in the Company and reviews the position on a regular basis. In normal circumstances the Directors do not expect the total amount borrowed to exceed 30% of shareholders' funds at the time of borrowing. Subsequently, and particularly during volatile market conditions such as have been seen recently, this limit may be exceeded where the Board does not believe it appropriate to bring the gearing levels down by selling the Company's investments to raise cash. In the year to 31 December 2008 the Company's gearing reduced the Company's NAV by approximately 8.8 pence. Note 10 on pages 38 and 39 details cash deposits with the bank for the purposes of meeting borrowing covenants.

Generally, the maximum that the Company would hold in cash would be 20% of the total value of the

Company's assets, however, in practice, this position would normally be much lower.

The spread of risk within the Company's portfolio is achieved by holding a wide range of stocks which are chosen on their individual merits, which can be easily sold to meet funding commitments if necessary, and not by sectoral allocation. Within this annual report details of the Company's ten largest holdings can be found on page 7, and a full portfolio listing can be found on pages 45 to 47.

FIDELITY'S INVESTMENT MANAGEMENT PHILOSOPHY, STYLE AND PROCESS

Fidelity's distinctive investment approach is "bottom up" stock picking – investing in companies on the basis of their underlying strengths, facilitated by extensive

research capabilities. Fidelity International has over 160 analysts and research associates, including 35 based in Tokyo with a hands-on approach to knowledge accumulation. Fidelity's analysts evaluate companies, meet their management and workforce and interpret the effects of international and local events. They contact hundreds of companies every week. This first hand research is fundamental to Fidelity's ability to seek the success stories of the future. Fidelity International has over 100 portfolio managers, 17 of whom are based in Tokyo. Portfolio managers work closely with the Fidelity analyst team and also have access to a wide range of research produced by third parties.

(Data as at 31 December 2008)

KEY PERFORMANCE INDICATORS ("KPIs")

Given the identification of the Company's objective and strategy, the Board has identified KPIs against which performance can be measured, detailed below:

	Year ended 31 December 2008	3 Years ended 31 December 2008	5 Years ended 31 December 2008
Net Asset Value Return	-19.6%	-56.6%	-11.3%
Share Price Return	-28.6%	-68.0%	-18.1%
Russell Nomura Mid/Small Cap Index (in sterling terms)	+4.4%	-22.3%	+24.2%

The Directors also monitor the various factors contributing to investment results, as set out in the attribution analysis below (all data in pence per share):

ATTRIBUTION ANALYSIS

	Year ended 31 December 2008 (pence)	3 years to 31 December 2008 (pence)
Opening Net Asset Value	66.67	123.56
Impact of the Index (in yen terms)	-25.15	-59.08
Impact of stock selection (in yen terms)	-6.52	-19.57
Impact of exchange rate, cash and residual	28.67	29.80
Impact of gearing (in yen terms)	-8.83	-16.83
Impact of share repurchasing	0.12	0.15
Impact of other costs	-1.38	-4.45
Net Asset Value	53.58	53.58

As well as the statistics set out above, the Directors also regularly monitor other relevant statistics, including:

- Investment performance compared to the Company's peer group
- The level of gearing
- The Company's total expense ratio
- The discount or premium of the Company's share price to net asset value

Directors' Report

PRINCIPAL RISKS, UNCERTAINTIES AND RISK MANAGEMENT

Due to the current economic climate, shareholders will have concerns about the current reduction in the value of their investments. The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the internal control process, identifies the key risks that the Company faces. The matrix has identified strategic, marketing, investment management, statutory and administrative and operational and support function risks. The Board reviews and agrees policies, which have remained unchanged since the beginning of the accounting period, for managing these risks. The process is regularly reviewed by the Board in accordance with the FRC's "Internal Control: Revised Guidance for Directors on the Combined Code". Risks are identified, introduced and graded in this process, together with the policies and procedures for the mitigation of risks, and are updated and reviewed twice a year in the form of a comprehensive internal controls report considered by the Audit Committee. The key risks identified within this matrix are:

Market

The Company's assets consist mainly of listed securities and the principal risks are therefore market related such as market recessions, interest rate movements, deflation/inflation, terrorism and protectionism.

Risks to which the Company is exposed and which form part of the market risks category are included in Note 17 to the financial statements on pages 41 to 44 together with summaries of the policies for managing these risks. These comprise: equity price risk; market price risk; foreign currency risk; interest rate risk and liquidity risk.

The Company has fixed term, fixed rate loan facilities in place which are due for repayment this year. The extent to which any loan facilities will be retained or renewed will be kept under the most careful scrutiny. At the present time, cash is being held against these loans to reduce the level of net gearing. In addition a day to day overdraft facility can be used if required. The impact of limited finance from counterparties including suppliers has not impacted the Company to date, however there are alternative suppliers available in the market place should the need arise.

The Company relies on a number of main counterparties, namely the Manager, Registrar, Custodian and Auditor. The Manager is the member of a privately owned group of companies on which a regular report is provided to the Board. The Manager, Registrar and Custodian are subject to regular audits by Fidelity's internal controls team and the counterparties' own internal controls reports are received by the Board and any concerns investigated.

Investment management

The Board relies on the Manager's skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors.

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

Share price

The Board is not able to control the share price at which the Company's shares trade; it may not reflect the value of the underlying investments. However, it can have a modest influence in the market by maintaining the profile of the Company through an active marketing campaign and, under certain circumstances, through repurchasing shares.

Currency

The Company's total return and balance sheet are affected by foreign exchange movements because the Company has assets and income which are denominated in yen whilst the Company's base currency is sterling. While it is the Company's policy not to hedge currency, the fact that borrowings are in yen means that part of the investment portfolio funded by borrowing is naturally hedged against changes in the yen:sterling exchange rate. Further detail can be found in Note 17 to the financial statements on pages 41 to 44.

Governance/regulatory, financial, operational administration

While it is believed that the likelihood of poor governance, compliance and operational administration by other third party service providers is low, the financial consequences could be serious, including the associated reputational damage to the Company. Your Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Details of this process are provided in the Corporate Governance Statement within this annual report.

Financial instrument risks

The financial instrument risks faced by the Company are shown in Note 17 to the financial statements on pages 41 to 44.

Other risks

Other risks monitored on a regular basis include loan covenants, which are subject to daily monitoring, together with the Company's cash position, and the continuation vote (at a time of poor performance).

Environmental, employee, social and community matters

The Company is an investment trust which is managed by FIL Investments International. The Company has no employees and all of its Directors are non-executive, the

Company's day to day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Board fully endorses Fidelity's strong procedures which are involved in the making of its investments.

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

SOCIALLY RESPONSIBLE INVESTMENT

The Manager's primary objective is to produce superior financial returns to investors. It believes that high standards of corporate social responsibility ("CSR") make good business sense and have the potential to protect and enhance investment returns. Consequently, 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.

The Manager recognises and supports the view that social, environmental and ethical best practice should be encouraged so long as the potential for financial return is not reduced. It favours companies committed to high standards of CSR and to the principles of sustainable development.

The Manager does not set out to manage an "ethical investment fund" and does not screen out companies from its investment universe purely on the grounds of poor social, environmental or subjective ethical records. Instead it adopts a positive engagement approach whereby social, environmental and ethical matters are discussed with management with the aim of improving procedures and attitudes. The Manager believes that this is the most effective way to improve the attitude of business towards CSR and the Board endorses this approach.

CORPORATE ACTIVISM

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 controversial issues it delegates the responsibility for corporate activism and shareholder voting to Fidelity. These activities are reviewed annually.

GENERAL

RESULTS AND DIVIDENDS

The revenue column of the Income Statement shows a deficit after taxation for the year of £112,000 and therefore the Directors do not recommend the payment of a dividend.

SHARE CAPITAL

The Company's authorised share capital comprises

230,000,000 ordinary shares of 25 pence each. As at 31 December 2008 the total number of shares in issue was 95,577,453 (2007: 97,027,453). Each share in issue carries one vote. Deadlines for the exercise of voting rights are detailed in the Notes to the Notice of Meeting.

SHARE ISSUES

No shares were issued during the year (2007: nil).

SHARE REPURCHASES

At the Annual General Meeting held on 14 May 2008 the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to 14,364,535 ordinary shares in the market for cancellation. 1,450,000 shares were repurchased for cancellation during the year. The authority expires on 13 May 2009 and a special resolution to renew the authority will therefore be put to shareholders for approval at the forthcoming Annual General Meeting.

POLITICAL AND CHARITABLE DONATIONS

The Company has not made any political or charitable donations in the year (2007: nil).

PAYMENT OF CREDITORS

The Company's principal supplier is the Manager who is paid in the month following the end of each calendar quarter, in accordance with the terms of the Management Agreement. The Company's policy for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction to ensure that the supplier is aware of these terms and to abide by the agreed terms of payment. The Company did not have any trade creditors during the year (2007: nil). Other suppliers are paid in accordance with the individual payment terms agreed with each supplier.

MANAGEMENT COMPANY

A Management and Secretarial Services Agreement (the "Agreement") dated 6 February 2006 (amending the Agreement dated 22 February 1994), was made between the Company and FIL Investments International (the "Manager"), under which the Manager has agreed to provide investment management, administrative and secretarial services to the Company. Details of the Agreement are set out in the Corporate Governance Statement on pages 23 and 24.

The Manager also provides certain other services, including marketing and administration, in connection with the Fidelity Investment Trust Share Plan, the Fidelity Investment Trust Personal Equity Plan and the Fidelity Individual Savings Account under an Agreement dated 12 March 1996. Fees payable under this Agreement for the year to 31 December 2008 were £36,600 (2007: £54,800).

An amount of £235,100 (2007: £269,900) was due to the Manager under the above agreements at 31 December 2008 and is included in creditors in Note 10 on page 38.

Fidelity has adopted a broker segmentation policy, which has reduced the number of brokers used, and allows it to

Directors' Report

concentrate on those brokers who, in its opinion, offer the best service in terms of overall execution. These brokers are Fidelity's "core" brokers. At the same time, the Manager evaluates the research provided by other brokers and uses some of them for their research. These brokers are called Secondary State Research firms ("SSRs").

As a consequence of this policy, the "core" brokers earn a larger percentage of the commission paid. These "core" brokers pay away some of this commission earned to the SSRs to compensate them for the research provided to Fidelity. Under FSA regulations this type of payment from one broker to another is currently treated as "softing". The Manager's soft commission policy complies with the UK regulations. Fidelity adopts a best execution policy that applies to all transactions in all instruments, regardless of the fund or account or location of the trading desk. There is a regulatory requirement on the Manager to obtain best execution and no individual deal is entered into which prevents compliance with this requirement.

The Manager has an arrangement with certain brokers whereby a portion of commissions from security transactions may be paid to the Company to reduce transaction costs. Amounts received by the Company under this arrangement are credited to capital. In the year to 31 December 2008 £13,500 was received (2007: £3,200).

Simon Fraser was employed by Fidelity International until the end of December 2008 and continues to act for Fidelity as a Senior Advisor. FIL Investments International is a member of the Fidelity International group of companies.

As at the date of this report FIL Limited has an interest in 6,854,100 shares in the Company (7.17%).

DIRECTORS

Details of the Directors who served during the year to 31 December 2008 are set out on pages 12 and 13.

Information on the process for the appointment, re-election and replacement of Directors is included in the Corporate Governance Statement.

In accordance with the Listing Rules, Mr Simon Fraser, a Senior Advisor to and recent employee of the Manager, is subject to annual re-election. He waived his entitlement to Director's fees until his retirement from Fidelity. The details of his fees may be found in the Directors' Remuneration Report on page 26.

Having served for more than nine years, Mr William Thomson will seek annual re-election and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

No Director is under a contract of service with the Company and no contracts existed during or at the

end of the financial period in which any Director was materially interested and which was significant in relation to the Company's business, except as disclosed in relation to Simon Fraser's interest in the Management Agreement. There have been no other related party transactions requiring disclosure under Financial Reporting Standard ("FRS") 8.

The interests of the Directors in the ordinary shares of the Company as at 31 December 2008 and 31 December 2007 were as in the table that follows. There were no changes to the holdings during the year and there have been no changes in these holdings since the year end.

	31 December 2008 shares	31 December 2007 shares
Nicholas Barber	10,000	10,000
Simon Fraser	30,000	30,000
Philip Kay	10,144	10,144
David Miller	20,000	20,000
William Thomson	15,000	15,000

DIRECTORS AND OFFICERS' LIABILITY INSURANCE

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

SUBSTANTIAL SHARE INTERESTS

As at the date of this report, 16.82% of the issued share capital was held by investors in the Fidelity Individual Savings Account and the Fidelity Investment Trust Share Plan.

As at the date of this report notification had been received of the following interests in 3% or more of the voting rights and/or issued share capital of the Company:

Substantial share interests	%
FIL Limited ¹	23.38
1607 Capital Partners ²	11.15
Asset Value Investors Limited ³	6.48
Barclays PLC ⁴	5.92
Tattersall Advisory Group Inc ⁵	4.19
Wesleyan Assurance Society ⁶	3.48
British Empire Securities ⁷	3.28

¹ Direct holding on own account (7.17%) and indirect holdings for clients (16.21%)

² Direct and indirect holdings for clients and on own account

³ Direct holdings for clients

⁴ Direct holdings for various Barclays entities and clients

⁵ Direct holding for clients

⁶ Direct holding on own account

⁷ Direct holding on own account

Analysis of ordinary shareholders as at 31 December 2008 % of issued share capital

Retail Investors ¹	46.42
Mutual Funds	28.98
Investment Trusts	8.05
Insurance	7.64
Pensions	5.59
Hedge Funds	3.26
Trading	0.06
	100.00

¹ Includes Share Plan and ISA investors

ANNUAL GENERAL MEETING

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

At the Annual General Meeting, resolutions will be proposed to renew the Directors' authority to allot securities in the Company. The authorities sought by these resolutions are to replace the existing powers of the Directors which expire on the date of the Annual General Meeting and will provide the Directors with the flexibility to issue further ordinary shares if they deem it appropriate to do so. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders.

Resolution 7 provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,194,700. If passed, this resolution will enable the Directors to allot a maximum of 4,778,800 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company as at 16 March 2009.

This authority provides the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares should any favourable opportunities arise to the advantage of shareholders. If new ordinary shares are to be allotted for cash, Section 89(1) of the Companies Act 1985 requires such new shares to be offered to existing holders of ordinary shares (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 1985 provides for shareholders to give such power to the Directors by waiving their pre-emption rights.

Resolution 8 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities for cash by way of (a) rights issues where practical considerations, such as fractions and foreign securities laws, make this desirable and (b) other issues up to an aggregate nominal value of £1,194,700 (5% of

the issued share capital of the Company as at 16 March 2009).

The Directors would not issue ordinary shares pursuant to this power at less than the then current net asset value per share ("NAV").

The authority to issue ordinary shares for cash under Resolutions 7 and 8 will enable the Directors to issue additional new ordinary shares to participants in the Fidelity Investment Trust Share Plan and ISA in the event that the ordinary shares are trading at a premium to their NAV.

Resolution 9 is a special resolution which renews the Directors' authority to repurchase the Company's shares for cancellation. It is proposed that the Board be authorised to make arrangements to purchase through the London Stock Exchange up to 14,327,060 ordinary shares of 25 pence (equivalent to 14.99% of the shares in issue at 16 March 2009). By utilising this power to repurchase shares when they are trading at a discount to NAV, the Company will increase the resulting NAV per share for remaining shareholders. Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share.

The full text of the resolutions is set out in the Notice of Meeting contained on pages 48 and 49.

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

CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement on pages 21 to 25.

AUDITOR'S RIGHT TO INFORMATION

As required by Section 234ZA of the Companies Act 1985, the Directors in office as at the date of this report each confirm that, so far as they are aware, there is no relevant audit information of which the Auditor is unaware and each Director has taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

AUDITOR'S APPOINTMENT

A resolution to reappoint Grant Thornton UK LLP as Auditor to the Company will be proposed at the forthcoming AGM together with a resolution to authorise the Directors to determine the Auditor's remuneration.

By Order of the Board
FIL Investments International
Secretary
16 March 2009

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial period. Under the 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 Directors' Report, including a Business Review, a Directors' Remuneration Report and a Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website www.fidelity.co.uk/its. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their 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 Directors' Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties it faces.

Approved by the Board on 16 March 2009 and signed on its behalf.

William Thomson
Chairman
16 March 2009

Corporate Governance Statement

The Company is committed to high standards of corporate governance. Accordingly, the Board has put in place a framework for corporate governance which it believes is appropriate for an investment trust company.

The Board has considered the principles and recommendations of the Association of Investment Companies' Code of Corporate Governance (the "AIC Code"), by reference to the Corporate Governance Guide (the "AIC Guide"). The AIC Code, as explained in the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Board is accountable to the Company's shareholders for good governance and considers that the Company has complied with the recommendations of the AIC Code, and therefore has met its obligations in relation to the Combined Code and associated disclosure requirements of the Listing Rules except as set out below:

The Combined Code includes provisions relating to:

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

For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers these provisions are not relevant to the Company, being an externally managed investment company. The Company has therefore not reported in respect of these provisions.

THE BOARD AND ITS COMMITTEES

THE BOARD

The Board of Directors has overall responsibility for the Company's affairs. 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, inter alia, decisions on strategy, management, structure, capital, gearing, financial reporting, risk management,

investment performance, share price discount, corporate governance, the appointment of the Company Secretary and Board appointments.

The Board currently consists of five Directors, of whom four are independent of the Company's Manager. Simon Fraser is a Senior Advisor to and a recent employee of the Manager and cannot therefore be classed as independent. The Chairman and the other independent Directors form the membership of the Audit Committee, the Management Engagement Committee and the Nomination and Remuneration Committee.

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

SENIOR INDEPENDENT DIRECTOR

The Board appointed Nicholas Barber as Senior Independent Director on 10 March 2005.

BOARD BALANCE

The Board consists of Directors who, between them, have good knowledge and wide experience of business in Japan and of investment trusts. Biographical details of all Directors including their relevant directorships are given on pages 12 and 13 of this report. The Board ensures that it conducts its business at all times with only the interests of the shareholders in mind and quite independently of any other associations. It meets at least four times a year, including an annual meeting in Tokyo, and endeavours to provide leadership in terms of the direction of the Company. Between these meetings there is regular contact with the Manager.

CHANGES TO THE BOARD

All appointments to the Board and replacements of Directors take place in accordance with the Companies Act and the Company's Articles of Association. The Nomination and Remuneration Committee is responsible for identifying possible candidates for consideration by the Board. Whilst the independent Directors take the lead in the appointment of new Directors, any proposal for a new Director will be discussed and approved by the entire Board. External consultants are also used to identify potential candidates.

	Regular Board Meetings	Nomination & Remuneration Committee Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
William Thomson	3/4	1/1	2/2	1/1
Nicholas Barber	4/4	1/1	2/2	1/1
Simon Fraser	4/4	N/A	N/A	N/A
Philip Kay	4/4	1/1	2/2	1/1
David Miller	4/4	1/1	2/2	1/1

(Figures indicate those meetings for which each Director was eligible to attend and attended in the year)

Corporate Governance Statement

The terms and conditions of appointment of Directors are available for inspection at the registered office of the Company.

TRAINING

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

PERFORMANCE EVALUATION

A process for the evaluation of the Board, its Committees and its Directors is in place and takes the form of written questionnaires and, if appropriate, interviews. The performance of the Chairman is evaluated by the other Directors on an annual basis.

The Company Secretary and Portfolio Manager also participate in these processes to provide all-round feedback to the Board. The results of these evaluations are issued to and discussed by the Board. The process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board.

RE-ELECTION

All newly appointed Directors stand for election by the shareholders at the next Annual General Meeting following their appointment. The Directors retire by rotation and offer themselves for re-election by shareholders every three years. Directors who have served on the Board for more than nine years are subject to annual re-election.

The representative of the Manager is subject to annual re-election. A procedure has been put in place whereby formal letters of appointment, which specify the terms of appointment, are issued to new Directors on appointment and to existing Directors upon subsequent re-election at the Annual General Meeting.

Simon Fraser will retire in accordance with the provisions of the Listing Rules and will be seeking re-election at the forthcoming Annual General Meeting. The proposal for Simon's reappointment was considered by the Nomination and Remuneration Committee. Simon is the Director who is a Senior Advisor to and a recent employee of the Manager. As mentioned in previous reports, we believe that it is important that the Manager should be party to the responsibility, authority and accountability to those investing in their management. Simon's knowledge and experience of Japan and, in particular, investment in Japan, are of enormous benefit and we recommend that shareholders vote in favour of his re-election.

Having served for more than nine years, William Thomson, Chairman, will retire and, following a proposal by his fellow Directors, will be seeking re-election at the forthcoming Annual General Meeting. During his absence, the other Directors independently considered his re-appointment to the Board and as Chairman as part of the performance evaluation process at the Nomination and Remuneration Committee meeting.

THE AUDIT COMMITTEE

The Audit Committee consists of all of the independent Directors and William Thomson, Chairman of the Company, also chairs this Committee as the Board believes it appropriate for him to do so. The Committee considers that collectively the members of the Committee have sufficient recent and relevant financial experience to discharge its responsibilities fully.

The Committee's authority and duties are clearly defined in its written terms of reference which are available for inspection at the Company's registered office and are included on the Company's pages of the Manager's website (www.fidelity.co.uk/its). These include responsibility for reviewing the Half-Yearly financial statements and annual report and financial statements, reviewing the scope and results of the audit and the effectiveness and cost of the audit process and reviewing the Company's internal financial controls. They also include responsibility for reviewing and monitoring the external Auditor's independence and objectivity with particular regard to the provision of non-audit services taking into consideration relevant UK professional and regulatory requirements. No work other than the audit was carried out by the Company's Auditor during the year.

The Audit Committee of the Board meets with the Auditor at least once a year to review these and other appropriate matters.

In the year to 31 December 2008 the Audit Committee discharged its responsibilities by, inter alia:-

- Reviewing the Company's draft annual and Half-Yearly financial statements prior to Board approval and reviewing the external Auditor's report on the annual financial statements
- Reviewing the appropriateness of the Company's accounting policies
- Reviewing and approving the audit fee
- Reviewing the external Auditor's terms of engagement
- Reviewing the external Auditor's plan for the audit of the Company's financial statements
- Reviewing the external Auditor's quality control procedures
- Reviewing and monitoring the effectiveness of the external audit process and the external Auditor's independence and objectivity

Corporate Governance Statement

- Reviewing the overall services provided by the Company's external Auditor and alternative audit services available
- Considering the scope of work undertaken by the Manager's internal audit department
- Reviewing the Manager's semi-annual report on internal controls and reporting to the Board
- Considering and reconfirming that the Company does not need an internal audit function given that the Company delegates its day to day operations to third parties.

THE NOMINATION AND REMUNERATION COMMITTEE

The Committee consists of all of the Directors, except Simon Fraser, and William Thomson chairs the Committee. The Committee is charged with nominating new Directors for consideration by the Board of Directors, and subsequent approval by shareholders. It believes that the best way of ensuring that the Board as a whole and each independent Director individually carry out their duties in an independent manner, irrespective of the interests of the Manager, is to ensure that the search for, the interview of and recommendation to the Board of a candidate is entirely controlled by this Committee. The Nomination and Remuneration Committee also considers the re-election of Directors who are retiring by rotation.

The Committee also concerns itself with the remuneration of the Directors, considering as it does the remit of the job and the responsibility and time involved. It also makes itself aware of the directors' fees of other investment trust companies and other comparable entities. The level of remuneration of the non-executive Directors is set by the Nomination and Remuneration Committee. The Director who is employed by the Manager waives his fee.

This Committee meets on an annual basis and as and when required, making recommendations to the Board where appropriate.

The Committee's terms of reference are available for inspection at the Company's registered office and are included on the Company's pages of the Manager's website.

THE MANAGEMENT ENGAGEMENT COMMITTEE

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

The level of remuneration of the Manager is determined by the Management Engagement Committee; it relates to the investment management function, on which a percentage of the funds under management is paid

(thereby relating this part of its remuneration to performance) and to the administrative function. The Board of Directors is mindful that the amounts paid to the Manager should be sufficient to ensure that both the Portfolio Manager and the administrators within the management house appointed to look after its affairs are highly skilled and that those individuals should be largely focused on the Company's business.

The criteria which are taken into consideration in reviewing the performance of the Manager are set out below:

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

The Committee met and reviewed the performance of the Manager for the year to 31 December 2008. Having reviewed the criteria set out above, the Committee concluded that it was in the interests of shareholders that the Management Agreement should continue.

The Committee's terms of reference are available for inspection at the Company's registered office and on the Company's pages of the Manager's website (www.fidelity.co.uk/its). Details of the Management Agreement follow.

MANAGEMENT AGREEMENT

A Management and Secretarial Services Agreement (the "Management Agreement") dated 6 February 2006 (amending the Management Agreement dated 22 February 1994), was made between the Company and FIL Investments International (the "Manager"), under which the Manager has agreed to provide investment management, administrative and secretarial services to the Company for a quarterly fee of an amount equal to 0.25 per cent of the value of the Company's assets under management (as defined in the Management Agreement, which excludes investments in other funds managed by the Manager) payable quarterly in arrear and calculated as of the last business day of March, June, September and December in each year. In addition the Company has agreed to pay to the Manager a fee for

Corporate Governance Statement

secretarial and administration services, payable quarterly in arrear, at the current rate of £37,156 per annum.

The notice period by either party is six months. The Management Agreement may, however, be terminated without compensation if the Company is liquidated pursuant to the procedures laid down in the Articles of Association of the Company regarding the Company's continuation. 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 two months' notice in writing if the Manager ceases to be a subsidiary of FIL Limited.

SUPPLY OF INFORMATION

The quarterly Board meeting papers are the key source of regular information for the Board, the contents of which are determined by the Board and contain sufficient information on the financial condition of the Company. Key representatives of the Manager attend each Board meeting, enabling the Board to probe further on matters of concern or seek clarification on certain issues. The Directors have access to the advice and services of the Company Secretary through its appointed representative, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules, laws and regulations are complied with. The Directors also have the ability to take independent professional advice, if necessary, at the Company's expense. The Company maintains Directors and Officers' liability insurance.

DIRECTORS' REMUNERATION

The level of Directors' fees is determined by the Nomination and Remuneration Committee. Directors' fees are disclosed fully in each annual report (see the Directors' Remuneration Report on pages 26 and 27).

FINANCIAL REPORTING

Set out on page 20 is a statement by the Directors of their responsibilities in respect of the financial statements. The Auditor has set out their reporting responsibilities within the Report of the Independent Auditor on pages 28 and 29.

GOING CONCERN

The Company's business activities and the factors likely to affect its future performance and position are set out in the Business Review on pages 14 to 17. Further details on the management of financial risks may be found at Note 17 to the financial statements on page 41 to 44.

The Board receives regular reports from the Manager and the Directors believe that, as no material uncertainties leading to significant doubt about going concern have been identified, it is appropriate to

continue to adopt the going concern basis in preparing the financial statements.

The assets of the Company consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. The next continuation vote will be put to shareholders at the AGM to be held in 2010.

INTERNAL CONTROL

The Board is responsible for the Company's systems of internal control and reviewing its effectiveness. The identification, control and evaluation of risk is formulated by a series of quarterly investment performance reports, a semi-annual internal controls report and quarterly compliance reports as provided by the Manager. The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material mis-statement 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 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 semi-annual risk and control assessment. The business risks have been analysed and recorded in a risk and internal controls report which is regularly reviewed. Whilst the Company, in common with most investment trusts, has no internal audit department, the effectiveness of these controls is monitored by the Manager's compliance and internal audit functions. The Audit Committee has received and 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. By means of the procedures set out above and in accordance with the Financial Reporting Council's "Internal Control: Revised Guidance for Directors on the Combined Code", the Directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and have reviewed the effectiveness of the internal control systems throughout the year ended 31 December 2008. This process continued to be in place up to the date of the preparation of these financial statements and is expected to remain in place for the coming year.

Corporate Governance Statement

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 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.

VOTING POLICY

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. In its Principles of Ownership, the Manager expressly declares that it supports the Statement of Principles drawn up by the Institutional Shareholders' Committee setting out the responsibilities of institutional shareholders and agents.

The Manager instructs proxy voting on behalf of the Company in accordance with the Manager's existing guidelines and policies.

SHAREHOLDERS

The Board regularly monitors the shareholder profile of the Company and liaises with the Manager and the Company's broker to canvass shareholder opinion and communicate its views to shareholders. The Board aims to provide the maximum opportunity for dialogue between the Company and shareholders. It believes that the Company's institutional shareholders have proper access to the Manager at any time and to the Board if they so wish. If any shareholder wishes to contact a member of the Board directly they should contact the Company Secretary whose details are given on page 13. All shareholders, particularly individual shareholders, are encouraged to attend the Annual General Meeting at which there is always a presentation of the past year's results and the forthcoming year's prospects, followed by the opportunity to meet representatives of the Manager and the Board.

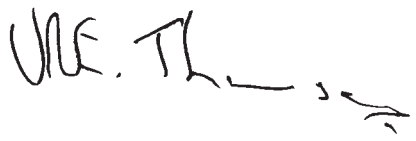
Except where a poll is called, all resolutions at the Annual General Meeting are dealt with on a show of hands. The proxy voting results are counted, are available to the meeting and are disclosed in the Company's page of the Manager's website (www.fidelity.co.uk/its).

The Notice of Meeting on pages 48 and 49 sets out the business of the Annual General Meeting. A separate resolution is proposed on each substantially separate issue including the annual report and financial statements.

The Chairman of the Board, who is also Chairman of the Audit Committee, will be available to answer questions at the Annual General Meeting.

The Notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the meeting.

On behalf of the Board



William Thomson
16 March 2009

Directors' Remuneration Report

This report is prepared in accordance with Schedule 7A of the Companies Act 1985.

REMUNERATION COMMITTEE

The Board of Directors is comprised solely of non-executive Directors and has established a Nomination and Remuneration Committee, which comprises the whole Board with the exception of Simon Fraser. This Committee meets annually and as and when required. At its annual meeting it determines the fees paid to Directors.

The Company's Articles of Association limit the aggregate fees payable to each Director to £50,000 per annum. Subject to this, the Nomination and Remuneration Committee makes recommendations to the Board regarding the level of Directors' fees, having

regard to their duties and responsibilities, to their time commitments, to their potential liabilities (both financial and reputational) and finally to levels of fees in the investment trust industry generally. It is intended that this policy will continue for the year ended 31 December 2009 and subsequent years.

All Directors are non-executive and no Director has a service contract with the Company. The Company does not make payments to Directors on termination.

The Company's performance has been measured against the Russell Nomura Mid/Small Cap Index as this is the most appropriate benchmark in respect of its investment objective.

REMUNERATION OF DIRECTORS¹

Name	2008 £'000	2007 £'000
William Thomson	28	27
Nicholas Barber	18	18
Simon Fraser ²	–	–
Philip Kay	18	18
David Miller	18	18
Total	82	81

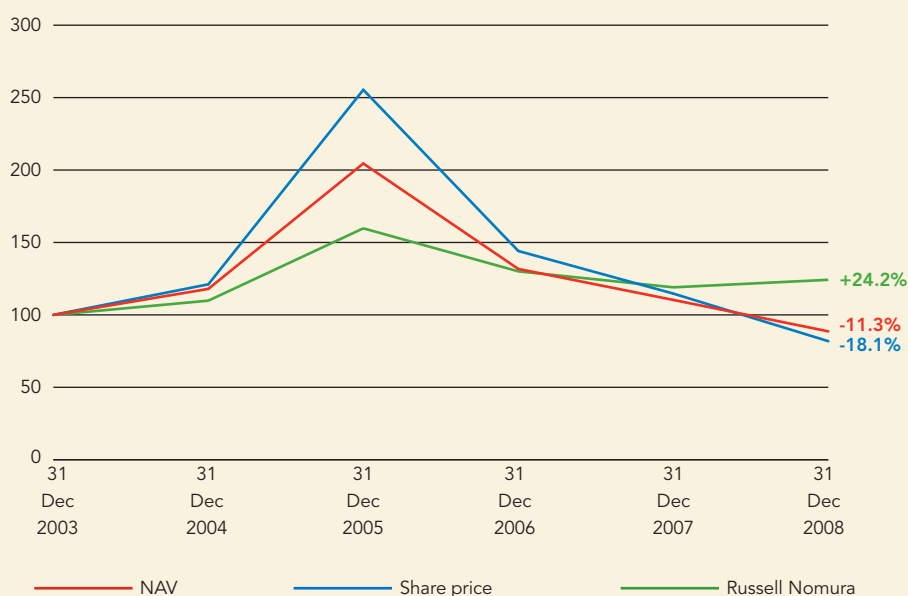
¹ Audited information

² Simon Fraser waived his fees of £15,000 in 2008 and £14,500 in 2007

No Director received any bonus, taxable expenses, compensation for loss of office or non-cash benefits for the year ended 31 December 2008 or 31 December 2007.

Directors' Remuneration Report

Performance from 31 December 2003 to 31 December 2008 (on a total return basis)



Shareholders should note that the Companies Act requirement is for the points on the graph to be plotted on a year end to year end basis. This has the effect of "flattening" out the Company's performance and therefore will differ in format from the other graphs provided in this report.

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

On behalf of the Board

William Thomson
Chairman
16 March 2009

Financial Calendar

The key dates in the Company's calendar for the year from 31 December 2008:

31 December 2008 – financial year end

Mid March 2009 – announcement of results

Early April 2009 – publication of this report

Mid May 2009 – Interim Management Statement
(as at 31 March 2009)

14 May 2009 – Annual General Meeting

30 June 2009 – Half-Year end

July/August 2009 – announcement of Half-Yearly results
to 30 June 2009

August 2009 – publication of Half-Yearly report

Mid November 2009 – Interim Management Statement
(as at 30 September 2009)

Report of the Independent Auditor to the Shareholders of Fidelity Japanese Values PLC

We have audited the financial statements (the “financial statements”) of Fidelity Japanese Values PLC for the year ended 31 December 2008 which comprise the Income Statement, the Reconciliation of Movements in Shareholders’ Funds, the Balance Sheet, the Cash Flow Statement and Notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors’ Remuneration Report that is described as having been audited.

This report is made solely to the Company’s members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

Respective responsibilities of Directors and Auditors

The Directors’ responsibilities for preparing the Annual Report, the Directors’ Remuneration Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors’ Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors’ Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors’ Report is consistent with the financial statements. The information given in the Directors’ Report includes that specific information given in the Chairman’s Statement and the Manager’s Review that is cross referenced from the Business Review section of the Directors’ Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company’s compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board’s statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company’s corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Objective and Highlights, Financial Summary, the Chairman’s Statement, the Manager’s Review, Distribution of the Portfolio, Summary of Performance, the Directors’ Report, the Corporate Governance Statement, the unaudited part of the Directors’ Remuneration Report, and the Full Portfolio Listing. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors’ Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of financial statements, and of whether the accounting policies are appropriate to the company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors’ Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors’ Remuneration Report to be audited.

Report of the Independent Auditor to the Shareholders of Fidelity Japanese Values PLC

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its net loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP

Registered Auditor and Chartered Accountants

London

16 March 2009

Income Statement

for the year ended 31 December 2008

	Notes	revenue £'000	2008 capital £'000	total £'000	revenue £'000	2007 capital £'000	total £'000
Losses on investments*	8	–	(5,946)	(5,946)	–	(11,710)	(11,710)
Income	2	1,288	–	1,288	991	–	991
Investment management fee	3	(719)	–	(719)	(850)	–	(850)
Other expenses	4	(338)	–	(338)	(354)	–	(354)
Exchange gains on other net assets	13	15	2,871	2,886	3	203	206
Exchange losses on loans	13	–	(9,612)	(9,612)	–	(708)	(708)
Net return/(loss) before finance costs and taxation		246	(12,687)	(12,441)	(210)	(12,215)	(12,425)
Interest payable	5	(269)	–	(269)	(202)	–	(202)
Net loss on ordinary activities before taxation		(23)	(12,687)	(12,710)	(412)	(12,215)	(12,627)
Taxation on loss on ordinary activities	6	(89)	–	(89)	(69)	–	(69)
Net loss on ordinary activities after taxation for the year		(112)	(12,687)	(12,799)	(481)	(12,215)	(12,696)
Loss per ordinary share	7	(0.12p)	(13.23p)	(13.35p)	(0.49p)	(12.52p)	(13.01p)

* Losses on investments include the foreign exchange gains made on the investments arising from the strong appreciation of the yen during the year. The yen increased by approximately 40% against sterling thereby significantly improving the performance of the portfolio in sterling terms.

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

The Notes on pages 34 to 44 form an integral part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2008

	Notes	called up share capital £'000	share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve realised £'000	capital reserve unrealised £'000	revenue reserve £'000	total equity £'000
Opening shareholders' funds: 1 January 2007		24,551	44	1,780	60,369	17,497	(14,215)	(11,860)	78,166
Net recognised capital (losses) /gains for the year		–	–	–	–	(25,637)	13,422	–	(12,215)
Repurchase of ordinary shares		(295)	–	295	(778)	–	–	–	(778)
Net revenue loss after taxation for the year		–	–	–	–	–	–	(481)	(481)
Closing shareholders' funds: 31 December 2007		24,256	44	2,075	59,591	(8,140)	(793)	(12,341)	64,692
Net recognised capital (losses) /gains for the year	13	–	–	–	–	(15,647)	2,960	–	(12,687)
Repurchase of ordinary shares	13	(362)	–	362	(680)	–	–	–	(680)
Net revenue loss after taxation for the year	13	–	–	–	–	–	–	(112)	(112)
Closing shareholders' funds: 31 December 2008		23,894	44	2,437	58,911	(23,787)	2,167	(12,453)	51,213

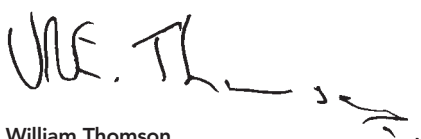
The Notes on pages 34 to 44 form an integral part of these financial statements.

Balance Sheet

as at 31 December 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Investments at fair value through profit or loss	8	65,324	78,122
Current assets			
Debtors	9	1,124	392
Cash at bank		2,301	937
Cash collateral with lender		7,045	–
		10,470	1,329
Creditors – amounts falling due within one year			
Fixed rate unsecured loans	10	(23,952)	–
Other creditors	10	(629)	(419)
		(24,581)	(419)
Net current (liabilities)/assets		(14,111)	910
Total assets less current liabilities		51,213	79,032
Creditors – amounts falling due after more than one year			
Fixed rate unsecured loans	11	–	(14,340)
Total net assets		51,213	64,692
Capital and reserves			
Called up share capital	12	23,894	24,256
Share premium account	13	44	44
Capital redemption reserve	13	2,437	2,075
Other reserve	13	58,911	59,591
Capital reserve – realised	13	(23,787)	(8,140)
Capital reserve – unrealised	13	2,167	(793)
Revenue reserve	13	(12,453)	(12,341)
Total equity shareholders' funds		51,213	64,692
Net asset value per ordinary share	14	53.58p	66.67p

The financial statements on pages 30 to 44 were approved by the Board of Directors on 16 March 2009 and were signed on its behalf by:



William Thomson
Chairman

The Notes on pages 34 to 44 form an integral part of these financial statements.

Cash Flow Statement for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Operating activities			
Investment income received		1,175	925
Deposit interest received		4	4
Investment management fee paid		(690)	(920)
Directors' fees paid		(81)	(60)
Other cash payments		(263)	(347)
Net cash inflow/(outflow) from operating activities	15	145	(398)
Returns on investments and servicing of finance			
Interest paid		(252)	(200)
Net cash outflow from returns on investments and servicing of finance		(252)	(200)
Financial investment			
Purchase of investments		(97,886)	(115,268)
Disposal of investments		106,226	117,138
Net cash inflow from financial investment		8,340	1,870
Net cash inflow before financing		8,233	1,272
Financing			
Repurchase of ordinary shares		(680)	(778)
Cash collateral held with lender		(7,045)	–
Net cash outflow from financing		(7,725)	(778)
Increase in cash	16	508	494

The Notes on pages 34 to 44 form an integral part of these financial statements.

Notes to the Financial Statements

1. ACCOUNTING POLICIES

The Company has prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and the AIC Statement of Recommended Practice ("SORP") for Investment Trusts dated January 2003 and revised in December 2005.

- | | |
|-------------------------------|--|
| a) Basis of accounting | The financial statements have been prepared on a going concern basis and under the historical cost convention, modified to include the revaluation of fixed asset investments at fair value and on the assumption that approval as an investment trust will be granted. |
| b) Income | Income from equity investments is credited to the Income Statement on the date on which the right to receive the payment is established. Unfranked investment income includes tax deducted at source. Interest receivable on short term loans and 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 cash foregone, the amount of the cash dividend foregone is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital column of the Income Statement. |
| c) Special dividends | Special dividends are treated as a capital receipt or a revenue receipt depending on the facts and circumstances of each particular case. |
| d) Expenses and finance costs | All expenses are accounted for on an accruals basis and are charged in full to the revenue column of the Income Statement. Finance costs are accounted for using the effective interest method and in accordance with the provisions of Financial Reporting Standard ("FRS") 26 "Financial Instruments: Recognition and Measurement". |
| e) Taxation | Deferred taxation is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred. A deferred tax asset is recognised when it is more likely than not that the asset will be recoverable. |
| f) Foreign currency | The Directors, having regard to the currency of the Company's share capital and the predominant currency in which its investors operate, have determined the functional currency to be sterling. Transactions denominated in foreign currencies are calculated in sterling at the rate of exchange ruling as at the date of transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Realised and unrealised capital gains and losses, including exchange differences on the translation of foreign currency assets and liabilities, are dealt with in capital reserves - realised and unrealised. |
| g) Valuation of investments | <p>The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's Board of Directors and other key management personnel. Accordingly, upon initial recognition the investments are designated by the Company as "at fair value through profit or loss". They are included initially at fair value, which is taken to be their cost and subsequently, the investments are valued at "fair value", which is measured as follows:</p> <ul style="list-style-type: none">• Investments listed overseas are valued at bid prices, where the bid price is available, or otherwise at fair value based on published price quotations;• Unlisted investments where there is not an active market are valued using an appropriate valuation technique so as to establish what the transaction price would have been at the balance sheet date. <p>Transaction costs – FRS26: "Financial Instruments: Recognition and Measurement" requires that the cost of purchasing investments be recognised and accounted for as a separate item from investment gains. However in accordance with the AIC SORP the Company includes these costs in the cost of investments purchased and has disclosed them in Note 8 on page 38.</p> |
| h) Loans | Loans are initially included in the financial statements at cost, being the fair value of the consideration received, net of any issue costs relating to the borrowing. After initial recognition, the loans are measured at amortised cost using the effective interest method. The amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. |

Notes to the Financial Statements

- i) **Capital reserve – realised** Gains and losses on the realisation of investments and realised exchange differences of a capital nature are accounted for in the capital reserve - realised, via the capital column of the Income Statement.
- Capital reserve – unrealised** Changes in the fair value of investments held at the year end and unrealised exchange differences of a capital nature are accounted for in the capital reserve - unrealised, via the capital column of the Income Statement.

2008
£'000

2007
£'000

2. INCOME

Income from investments		
Overseas dividends	1,284	986
Other income		
Deposit interest	4	5
Total income	1,288	991

2008
£'000

2007
£'000

3. INVESTMENT MANAGEMENT FEE

Investment management fee	719	850
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A summary of the terms of the Management Agreement is provided in the Directors' Report on pages 17 and 18.

2008
£'000

2007
£'000

4. OTHER EXPENSES

Directors' fees	82	81
Directors' expenses	28	27
Registrars' fees	22	21
Custody fees	11	17
Printing and publication expenses	61	57
Marketing expenses	28	50
Legal and professional fees	36	32
AIC fees	5	8
Other expenses	45	43
Fees payable to the Company's auditor for the audit of the annual financial statements	20	18
	338	354

Details of the breakdown of Directors' fees are provided on page 26 within the Directors' Remuneration Report.

Notes to the Financial Statements

	2008 £'000	2007 £'000
5. INTEREST PAYABLE		
Repayable within five years		
Fixed rate unsecured loans	269	202

	2008 £'000	2007 £'000
6. TAXATION ON LOSS ON ORDINARY ACTIVITIES		

a) Analysis of charge in the year

Overseas taxation suffered (see Note 6b)	89	69
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b) Factors affecting the taxation charge for the year

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an investment trust company of 28% (2007: 30%).

The differences are explained below.

	2008 £'000	2007 £'000
Revenue loss on ordinary activities before taxation	(23)	(412)
Revenue loss on ordinary activities multiplied by the standard rate of corporation tax of 28% (2007: 30%)	(6)	(124)
Effects of:		
Excess expenses for the year	6	124
Overseas taxation	89	69
Current tax charge (Note 6a)	89	69

Investment trust companies are exempt from taxation on capital gains if they meet the HM Revenue & Customs criteria set out in s842 Income and Corporation Taxes Act 1988 for a given period. Therefore, any capital return is not included in the above reconciliation.

c) The deferred tax assets of £3,305,000 in respect of unutilised expenses as at 31 December 2008 (2007: £3,534,000) and £501,000 (2007: £412,000) in respect of eligible unrelieved foreign taxation have not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

Notes to the Financial Statements

	revenue	2008 capital	total	revenue	2007 capital	total
7. LOSS PER ORDINARY SHARE						
Basic	(0.12p)	(13.23p)	(13.35p)	(0.49p)	(12.52p)	(13.01p)

Losses per ordinary share are based on the net revenue loss on ordinary activities after taxation of £112,000 (2007: £481,000), the capital loss in the year of £12,687,000 (2007: £12,215,000) and the total loss in the year of £12,799,000 (2007: £12,696,000) and on 95,878,956 ordinary shares (2007: 97,571,864) being the weighted average number of ordinary shares in issue during the year.

	2008 £'000	2007 £'000
8. INVESTMENTS		
Listed overseas	65,324	78,122
Total listed investments	65,324	78,122
	2008 listed overseas £'000	
Opening book cost	80,648	
Opening fair value adjustment	(2,526)	
Opening fair value of investments	78,122	
Movements in the year		
Purchases at cost	99,092	
Sales – proceeds	(105,944)	
Sales – realised losses on sales	(17,662)	
Changes in fair value of investments	11,716	
Closing fair value of investments	65,324	
Closing book cost	56,134	
Closing fair value adjustment	9,190	
Closing fair value of investments	65,324	

Notes to the Financial Statements

	2008 £'000	2007 £'000
Net losses on investments		
Realised losses on sales of investments	(17,662)	(25,816)
Changes in fair value of investments	11,716	14,106
	<u>(5,946)*</u>	<u>(11,710)</u>

* Net losses on investments include the foreign exchange gains made on the investments arising from the strong appreciation of the yen during the year. The yen increased by approximately 40% against sterling thereby significantly improving the performance of the portfolio in sterling terms.

The portfolio turnover rate for the year was 156% (2007: 151%).

Losses on investments are shown net of costs of investment transactions as summarised below:

	2008 £'000	2007 £'000
Purchases expenses	128	120
Sales expenses	140	123
	<u>268</u>	<u>243</u>

9. DEBTORS

	2008 £'000	2007 £'000
Securities sold for future settlement	1,043	284
Accrued income	68	57
Other debtors	13	51
	<u>1,124</u>	<u>392</u>

10. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000	2007 £'000
Fixed rate unsecured loan @ 1.565% per annum	11,294	–
Fixed rate unsecured loan @ 1.34% per annum	12,658	–
Securities purchased for future settlement	241	9
Loan interest payable	42	25
Other creditors	346	385
	<u>24,581</u>	<u>419</u>

Notes to the Financial Statements

The fixed rate unsecured loan from The Royal Bank of Scotland PLC of yen 1,499,040,000 was drawn down on 13 August 2004 of a period of five years at a fixed rate of 1.565% per annum. The loan is repayable on 13 August 2009.

The fixed rate unsecured loan from The Royal Bank of Scotland PLC of yen 1,680,000,000 was drawn down on 25 November 2004 for a period of five years at a fixed rate of 1.34% per annum. The loan is repayable on 25 November 2009.

The Company has entered into an arrangement with The Royal Bank of Scotland PLC, whereby if total borrowings exceed 39% of the Company's assets, sufficient money is placed in a charged account with the bank to reduce borrowings to below 39%.

As at 31 December 2008, there were cash deposits with the bank subject to a charge in favour of The Royal Bank of Scotland PLC of yen 935,102,905 (2007: nil). The release of the charge is contingent on the borrowing ratio of the Company being reduced to 37% for a period of five consecutive business days. As at the date of this report cash deposits subject to the charge amounted to yen 1,050,102,905 (2007: nil).

2008
£'000

2007
£'000

11. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Fixed rate unsecured loan @ 1.565% per annum	–	6,762
Fixed rate unsecured loan @ 1.34% per annum	–	7,578
	<u>–</u>	<u>14,340</u>

2008
£'000

2007
£'000

12. CALLED UP SHARE CAPITAL

Authorised:		
230,000,000 (2007: 230,000,000) ordinary shares of 25 pence each	57,500	57,500
Issued, allotted and fully paid:		
Beginning of year		
97,027,453 (2006: 98,207,453) ordinary shares of 25 pence each	24,256	24,551
1 January to 31 December 2008: repurchase of 1,450,000 shares (2007: 1,180,000)	(362)	(295)
End of year		
95,577,453 (2007: 97,027,453) ordinary shares of 25 pence each	23,894	24,256

Notes to the Financial Statements

	2008					
	share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve realised £'000	capital reserve unrealised £'000	revenue reserve £'000
13. RESERVES						
Beginning of year	44	2,075	59,591	(8,140)	(793)	(12,341)
Exchange gains on other net assets	–	–	–	2,015	856	–
Net loss on realisation of investments	–	–	–	(17,662)	–	–
Changes in fair value of investments	–	–	–	–	11,716	–
Exchange losses on loans	–	–	–	–	(9,612)	–
Repurchase of ordinary shares	–	362	(680)	–	–	–
Net revenue loss after taxation for the year	–	–	–	–	–	(112)
End of year	44	2,437	58,911	(23,787)	2,167	(12,453)

14. NET ASSET VALUE PER SHARE

The net asset value per ordinary share is based on net assets of £51,213,000 (2007: £64,692,000) and on 95,577,453 (2007: 97,027,453) ordinary shares, being the number of ordinary shares in issue at the year end.

	2008 £'000	2007 £'000
15. RECONCILIATION OF NET RETURN/(LOSS) BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		
Net loss before finance costs and taxation	(12,441)	(12,425)
Capital loss for the year	12,687	12,215
Net revenue return/(loss) before finance costs and taxation	246	(210)
Decrease in other creditors	(39)	(119)
Decrease in other debtors	27	–
Overseas taxation suffered	(89)	(69)
Net cash inflow/(outflow) from operating activities	145	(398)

	2008 £'000	2007 £'000
16. RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET DEBT		
Net debt at beginning of the year	(13,403)	(13,213)
Net cash inflow	508	494
Unrealised foreign exchange movement on other net assets	856	24
Unrealised foreign exchange movement on fixed rate unsecured loans	(9,612)	(708)
Change in net debt	(8,248)	(190)
Net debt at end of the year	(21,651)	(13,403)

Notes to the Financial Statements

	2008 £'000	Change in the year £'000	Exchange movements £'000	2007 £'000
Analysis of balances				
Cash at bank	2,301	508	856	937
Fixed rate unsecured loans	(23,952)	–	(9,612)	(14,340)
End of year	(21,651)	508	(8,756)	(13,403)

17. FINANCIAL INSTRUMENTS

Management of risk

The general risk analysis undertaken by the Board and its overall policy approach to risk management are set out in the Business Review on page 16. This Note is incorporated in accordance with FRS29 and refers to the identification, measurement and management of risks potentially affecting the value of financial instruments.

The Company's financial instruments comprise:

- Equity shares held in accordance with the Company's investment objective and policies
- Cash, liquid resources and short term debtors and creditors that arise from its operations
- Yen borrowings to finance operations

The risks identified in FRS29 arising from the Company's financial instruments are other price risk (which comprises equity price risk, interest rate risk and foreign currency exposure), liquidity risk and credit 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.

Other price risk

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

Foreign currency risk

The Company's total return and balance sheet can be affected by foreign exchange movements because the Company has assets and income which are denominated in yen whereas the Company's base currency is sterling.

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

- Movements in rates affecting the value of investments and loans
- Movements in rates affecting short term timing differences
- Movements in rates affecting the income received

The Company does not hedge the sterling value of investments or other net assets priced in yen by the use of derivatives. However, it has increased finance available to the Company for its investment activities with yen borrowings, thereby hedging part of the movements which are a result of exchange movements.

The Company might 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. Income denominated in yen is converted to sterling on receipt.

Interest rate risk

The Company finances its operations through share capital raised. In addition, financing has been obtained through two yen denominated fixed rate unsecured bank loans, which fall due for repayment on 13 August and 25 November 2009. The Company is exposed, therefore, to a fair value interest rate risk if yen interest rates change. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions.

Notes to the Financial Statements

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. Details of the Company's borrowing commitments are explained in Note 10 on pages 38 and 39 to the financial statements.

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 on the amount that may be due from any one broker. All security transactions are through brokers which have been approved as an acceptable counterparty. This is reviewed on an ongoing basis. At the year end, the exposure to credit risk includes cash at bank and outstanding securities transactions.

Financial Assets

The Company's financial assets comprise equity investments, short term debtors and cash. The currency cash flow profile of these financial assets is shown below.

2008	investments at fair value through profit or loss £'000	short term debtors book value £'000	cash* £'000	total £'000
Yen	65,324	1,120	9,284	75,728
UK sterling	–	4	60	64
US dollar	–	–	2	2
	<u>65,324</u>	<u>1,124</u>	<u>9,346</u>	<u>75,794</u>

*Cash includes cash held at bank and cash held as collateral with lender

2007	investments at fair value through profit or loss £'000	short term debtors book value £'000	cash at bank £'000	total £'000
Yen	78,122	342	701	79,165
UK sterling	–	50	235	285
US dollar	–	–	1	1
	<u>78,122</u>	<u>392</u>	<u>937</u>	<u>79,451</u>

Financial Liabilities

The Company finances its investment activities through its ordinary share capital, reserves and borrowings.

The Company's financial liabilities comprise its yen denominated fixed rate unsecured bank loans, and other short term creditors. The currency cash flow profile of these financial liabilities is shown below.

	fixed rate unsecured loans £'000	2008 short term creditors £'000	total £'000	fixed rate unsecured loans £'000	2007 short term creditors £'000	total £'000
Yen	23,952	282	24,234	14,340	34	14,374
UK sterling	–	347	347	–	385	385
	<u>23,952</u>	<u>629</u>	<u>24,581</u>	<u>14,340</u>	<u>419</u>	<u>14,759</u>

Notes to the Financial Statements

Foreign currency risk sensitivity analysis

At 31 December 2008, if sterling had strengthened by 10% in relation to the yen, this being the largest currency exposure, then with all other variables held constant, total net assets and total return on ordinary activities would have decreased by £5,149,000 (2007: £6,479,000). A 10% weakening of sterling against the yen, with all other variables held constant, would have had an equal but opposite effect on the financial statement amounts. The analysis for 2007 is performed on the same basis.

Interest rate risk profile of financial assets and liabilities

The analysis below summarises the extent to which the Company's assets and liabilities are affected by changes in interest rates.

2008	cash flow interest rate risk £'000	fair value interest rate risk £'000	no interest rate risk £'000	total £'000
Investments at fair value through profit or loss	–	–	65,324	65,324
Other debtors	–	–	1,124	1,124
Cash balances	9,346	–	–	9,346
Total financial assets	9,346	–	66,448	75,794
Other creditors	–	–	(629)	(629)
Fixed rate unsecured loans	–	(23,952)	–	(23,952)
Total financial liabilities	–	(23,952)	(629)	(24,581)
Total financial assets/(liabilities)	9,346	(23,952)	65,819	51,213

2007	cash flow interest rate risk £'000	fair value interest rate risk £'000	no interest rate risk £'000	total £'000
Investments at fair value through profit or loss	–	–	78,122	78,122
Other debtors	–	–	392	392
Cash balances	937	–	–	937
Total financial assets	937	–	78,514	79,451
Other creditors	–	–	(419)	(419)
Fixed rate unsecured loans	–	(14,340)	–	(14,340)
Total financial liabilities	–	(14,340)	(419)	(14,759)
Total financial assets/(liabilities)	937	(14,340)	78,095	64,692

Interest rate risk sensitivity analysis

At 31 December 2008, if interest rates would have increased by 1.0% then the total return on ordinary activities would have increased by £93,000 (2007: £9,000). A decrease in the interest rates by 1.0% would have an equal but opposite effect. The sensitivity is based on the Company's total cash balance held on 31 December 2008, with all other variables held constant. The analysis for 2007 is performed on the same basis.

Other price risk

Changes in market prices other than those arising from interest rate risk may also affect the value of the Company's net assets. Details of how the Board sets risk parameters and performance objectives can be found on pages 14 to 16 of the Directors' Report.

Other price risk sensitivity analysis

An increase of 10% in the fair value of the investments at 31 December 2008 would have increased total return on ordinary activities and total assets by £6,532,000 (2007: £7,812,000). A decrease of 10% in the fair value of investments would have had an equal but opposite effect. The analysis for 2007 is performed on the same basis.

Notes to the Financial Statements

Fair value of financial assets and liabilities

Financial assets and liabilities are stated in the balance sheet at values which are not materially different to their fair values. As explained in Note 1 on page 34 investments are shown at fair value which is bid market price. In the case of cash, book value approximates to fair value due to the short maturity of the instruments. The exceptions are the yen denominated fixed rate unsecured loans, whose fair value as at 31 December 2008, given below, have been calculated by discounting future cash flows at current yen interest rates.

	2008		2007	
	fair value £'000	book value £'000	fair value £'000	book value £'000
Fixed rate unsecured loan @ 1.565% per annum	11,352	11,294	6,827	6,762
Fixed rate unsecured loan @ 1.34% per annum	12,723	12,658	7,633	7,578
	<u>24,075</u>	<u>23,952</u>	<u>14,460</u>	<u>14,340</u>

Capital management

The Company does not have any externally imposed capital requirements. The capital of the Company is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on pages 14 and 15 of the Directors' Report. The principal risks and their management are disclosed above.

18. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 31 December 2008 (2007: nil).

19. TRANSACTIONS WITH THE MANAGER

The Directors have complied with the provisions of FRS8 which require disclosure of related party transactions and balances. FIL Investments International is the Manager and Secretary of the Company and details of the services provided and fees paid are given on pages 17 and 18.

Full Portfolio Listing as at 31 December 2008

Holding	Fair Value £'000	% ¹
Kappa Create	1,861	2.5
Nissin Food Holdings	1,598	2.1
Rakuten	1,519	2.0
FP Corporation	1,497	2.0
Sumitomo Rubber Industries	1,439	1.9
Sekisui Chemical	1,369	1.8
Tsumura	1,353	1.8
Zappallas	1,172	1.6
Toho Pharmaceutical	1,153	1.5
Ajinomoto	1,103	1.5
Osaka Gas	1,086	1.4
Sumitomo Electric Industries	986	1.3
Kakaku.Com	962	1.3
Chubu Electric Power	883	1.2
Kyushu Electric Power	877	1.2
Chiba Bank	873	1.2
Chiyoda	863	1.1
Bit-Isle	850	1.1
Shizuoka Bank	849	1.1
So-net M3	837	1.1
Dena	827	1.1
Toyo Suisan Kaisha	827	1.1
Nippon Paper Group	812	1.1
Sompo Japan Insurance	810	1.1
Kirin Holdings	799	1.1
EPS	796	1.1
Softbank	796	1.1
Promise	767	1.0
Ozeki	764	1.0
Daicel Chemicals	757	1.0
Sekisui House	753	1.0
Oriental Land	745	1.0
Kuraray	742	1.0
Resona Holdings	740	1.0
Ricoh	735	1.0
West Japan Railway	721	1.0
Capcom	715	0.9
DCM Japan Holdings	712	0.9
Nippon Meat Packers	707	0.9
Familymart	701	0.9
Nippon Electric Glass	685	0.9

Full Portfolio Listing as at 31 December 2008

Holding	Fair Value £'000	% ¹
Matsumotokiyoshi Holdings	680	0.9
Idemitsu Kosan	669	0.9
Dydo Drinco	613	0.8
Bank of Yokohama	604	0.8
Disco	604	0.8
Shimachu	599	0.8
Tokyo Electron	587	0.8
Hamamatsu Photonics	568	0.8
Nichiiko Pharmaceutical	567	0.8
Bridgestone	565	0.8
H.I.S.	561	0.7
Hokuetsu Paper	514	0.7
Nippon Oil	506	0.7
Ibiden	498	0.7
NOF Corporation	489	0.6
Village Vanguard	486	0.6
Yahoo Japan	479	0.6
Miraca Holdings	471	0.6
Benesse	466	0.6
Asahi	444	0.6
Arc Land Sakamoto	442	0.6
Aioi Insurance	438	0.6
GMO Internet	437	0.6
Mitsui O.S.K Lines	435	0.6
Air Water	426	0.6
Toyo Seikan Kaisha	422	0.6
Konica Minolta Holdings	420	0.6
Asahi Glass	417	0.6
Mani	417	0.6
Fuji Machine Manufacturing	416	0.6
Taiheiyo Cement	416	0.6
Mitsubishi Tanabe Pharma Corporation	412	0.5
Star Mica	408	0.5
JSR	406	0.5
Denso	403	0.5
Shinko Electric Industries	402	0.5
Sony Financial Holdings	397	0.5
Glory	389	0.5
East Japan Railway	379	0.5
NGK Spark Plug	379	0.5
Toridoll	378	0.5

Full Portfolio Listing as at 31 December 2008

Holding	Fair Value £'000	% ¹
Tokyo Electric Power	374	0.5
Panasonic Electric Works	372	0.5
Sony	372	0.5
Sugi Holdings	372	0.5
Chuo Mitsui Trust	369	0.5
Mitsubishi Corp	369	0.5
Nitori	346	0.5
Sohgo Security Services	340	0.5
Coca Cola West Japan	338	0.5
Nihon Dempa Kogyo	319	0.4
Kao Corporation	311	0.4
Nichicon	307	0.4
Nomura Holdings	276	0.4
Sumitomo Osaka Cement	260	0.3
Aisin Seiki	250	0.3
Linical	246	0.3
Mitsubishi Rayon	240	0.3
THK	239	0.3
Hirano Tecseed	223	0.3
OPT	218	0.3
Nippon Suisan Kaisha	202	0.3
Horiba	189	0.2
Uyemura	142	0.1

Total Holdings	65,324	86.9
Cash ² and other net current assets	9,841	13.1
	75,165	100.0

1 % total assets less current liabilities excluding fixed term loan liabilities

2 Cash includes cash at bank and cash held as collateral with lender

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity Japanese Values PLC will be held at 25 Cannon Street, London EC4M 5TA, on 14 May 2009 at 12 noon for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2008.
2. To re-elect Mr Simon Fraser as a Director.
3. To re-elect Mr William Thomson as a Director.
4. To approve the Directors' Remuneration Report for the year ended 31 December 2008.
5. To reappoint Grant Thornton UK LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company.
6. To authorise the Directors to determine the Auditor's remuneration.

SPECIAL BUSINESS

Resolutions 7 and 8 will, if approved, authorise the Directors to allot a limited number of currently unissued ordinary shares for cash without first offering such shares to existing ordinary shareholders pro rata to their existing holdings. The limit set by the Board is 5% of the number of ordinary shares of the Company in issue on 16 March 2009. The Directors will only issue new shares under this authority to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so.

To consider and, if thought fit, to pass the following resolutions of which Resolution 9 will be proposed as an ordinary resolution and Resolution 8 as a special resolution:

7. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £1,194,700 (approximately 5 per cent of the aggregate nominal amount of the issued share capital of the Company as at 16 March 2009) such authority to expire at the conclusion of the next Annual General Meeting of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired.
8. THAT, subject to the passing of Resolution 7 set out above, the Directors be and they are hereby authorised, pursuant to Section 95 of the Act to allot

equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority given by the said Resolution 7 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited:

- a) to the allotment of equity securities in connection with a rights issue in favour of all holders of a class of relevant equity securities where the equity securities attributable respectively to the interests of all holders of securities of such class are either proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise); and
- b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £1,194,700 (approximately 5 per cent of the aggregate nominal amount of the issued share capital of the Company as at 16 March 2009); and
- c) to the allotment of equity securities at a price of not less than the net asset value per share

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

Resolution 9 is a special resolution which, if approved, will renew the Company's authority to purchase its shares for cancellation. The limit set by the Board is 14.99 per cent of the number of ordinary shares in issue on 16 March 2009. Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board and in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share, thereby resulting in an increase in the net asset value per share.

9. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 of the Act) of shares of 25p each in the capital of the Company (the "shares") provided that:

Notice of Meeting

- a) the maximum number of shares hereby authorised to be purchased shall be 14,327,060;
- b) the minimum price which may be paid for a share is 25p;
- c) the maximum price which may be paid for a share is an amount equal to 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the share is purchased;
- d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed prior to such time; and
- e) the Company may make a contract to purchase 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

2 April 2009

Notes:

- 1 A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy or proxies to attend and to speak and vote instead of him. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.
- 2 A Form of Proxy is enclosed and must be returned to the Registrars at the address on the form to arrive not later than 12 noon on 12 May 2009. 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 notari ally or in some other way approved by the Directors), must be deposited with the Company's Registrars, Capita Registrars, P O Box 25, Beckenham, Kent BR3 4BR 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 All members are entitled to attend and vote at the Annual General Meeting.

- 6 Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him and the member by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in paragraph 1 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.
- 7 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes 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 Services Authority. As a result, any member holding 3 per cent 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 Services Authority.
- 8 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes they may cast), members must be entered on the register of members by 6.00pm on 12 May 2009. If the meeting is adjourned then, to be so entitled, members must be entered on the register of members at 6.00pm 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.
- 9 As at 16 March 2009 (the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 95,577,453 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the Company as at 16 March 2009 was 95,577,453.
- 10 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.
- 11 Shareholders and any proxies or representatives they appoint understand that by attending the meeting that they are expressly agreeing that they are willing to receive any communications, including communications relating to the Company's securities, made at the meeting.
- 12 No Director has a service contract with the Company.

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

Investing in Fidelity Japanese Values PLC

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

INVESTING INSIDE AN ISA

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

With effect from 6 April 2008 the distinction between Mini and Maxi ISAs will be removed and the maximum investment in a stocks and shares ISA will be £7,200.

The minimum investment in the Fidelity ISA is £1,000 as a lump sum, £250 as a top-up or £50 a month in a regular savings plan.

Charges – The standard initial charge for the Fidelity ISA is 3.5%. Fidelity pays stamp duty from the initial charge. There are no other charges for the Fidelity ISA, but the Company pays an annual management charge to Fidelity of 1%, as set out in the Annual Report.

MOVING MONEY FROM PREVIOUS ISAS

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

Charges – The standard initial charge for a transfer is 3.5%. You will not have to pay any additional transfer costs. However, please bear in mind that your current ISA manager may ask you to pay an exit fee. The annual management charge is as described above in the "Investing in an ISA" section.

INVESTING OUTSIDE AN ISA

If you prefer to invest outside an ISA, or have already used your full ISA allowance, the Fidelity Investment Trust Share Plan offers you a low-cost and convenient way to put money into Fidelity Japanese Values PLC. The minimum investment is £1,000 as a lump sum, £250 as a top-up or £50 a month in a regular savings plan.

Investing for children – the Share Plan is a flexible and inexpensive way to invest on behalf of children. All you have to do is enter the initials or name of the child in the Designation Box on the Share Plan application form. A special leaflet on investing for children through investment trusts is available from Fidelity.

Charges – There are no charges for buying, selling or holding shares through the Fidelity Investment Trust Share Plan other than Stamp Duty of 0.5%, which is

currently payable on all share purchases. However, if you invest through a Financial Adviser, there may be an initial charge of up to 3%.

Holding shares directly – If you have shares in Fidelity Japanese Values PLC that you bought through a broker or share shop you can transfer them into the Fidelity Investment Trust Share Plan. Doing this allows you to reinvest your dividends and make further investments without having to pay brokerage fees. You will also be able to set up a monthly savings plan and receive statements and valuations twice a year.

BENEFICIAL OWNERS OF SHARES - INFORMATION RIGHTS

With effect from 1 October 2007 registered shareholders of fully listed companies are able to nominate the underlying beneficial owners of their shares to receive information rights from 1 January 2008. You should contact your registered shareholder direct to request to receive your information rights. Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's Registrars, Capita Registrars, or to the Company direct.

INVESTING ONLINE

You can invest online in Fidelity Japanese Values PLC shares via www.fidelity.co.uk/sharenetwork. Fidelity ShareNetwork enables you to buy or sell shares in any listed company during normal London Stock Exchange trading hours – between 8am and 4.30pm any working day. Shares in ShareNetwork can either be held direct or in an ISA, subject to the normal ISA limits and restrictions. You will be shown a live price and be able to buy or sell immediately. If an order is placed when the market is closed, it will be processed as soon as the market reopens. Unlike many online share dealing services, Fidelity ShareNetwork gives you CREST personal membership for shares held direct. This means that shares are registered on the CREST system in your own name and everything relating to your shares – dividends, annual reports and so on – will be sent direct to you and you will be able to attend and vote at shareholder meetings in your own name. Personal CREST membership does not apply to ISA holdings which must be held in the name of the ISA manager's nominee under ISA regulations. Fidelity ShareNetwork has a very competitive cost structure. Share purchases or sales are executed on line for only £9 per trade. (Stamp duty is also payable on purchases at the rate of 0.5%). There is an account administration fee of £5 per month, however many different shares you own and whatever their value.

Investing in Fidelity Japanese Values PLC

CONTACT INFORMATION

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

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

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

Holders of ordinary shares – Capita Registrars, Registrars to Fidelity Japanese Values PLC, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0GA. Telephone: 0871 664 0300 (calls cost 10p per minute plus network extras). If calling from overseas, telephone +44 208 639 3399. Email: ssd@capitaregistrars.com

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

Dividend Reinvestment Plan – This is a convenient way to build up your shareholding by using your cash dividends to buy more shares in the Company. If you would prefer to receive shares for your next dividend instead of cash please complete an application form online at www.capitashareportal.com or call Capita IRG Trustees on 0871 664 0381 (calls cost 10p per minute plus network extras) from the UK or +44 208 639 3402 from overseas.

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.

Share Plan investors – [Fidelity Investment Trust Share Plan, Equiniti Limited*, PO Box 4605, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6QY

Telephone: 0871 384 2781 (calls to this number are charged at 8p per minute from a BT landline. Other telephony providers' costs may vary.)
(* formerly Lloyds TSB Registrars)]

ISA investors - Fidelity, using the freephone numbers given opposite, or by writing to:
UK Customer Service, Fidelity Investments, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ

General enquiries should be made to Fidelity, the Investment Manager and Secretary, at the Company's registered office: FIL Investments International Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP

ONLINE SHAREHOLDER SERVICES – SHARE PORTAL

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

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

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

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

KEEPING YOU UPDATED

If you hold Fidelity Japanese Values PLC shares in an ISA, you will receive a yearly report detailing all of your transactions and the value of your shares. Investors with the Fidelity Investment Trust Share Plan will receive statements and valuations twice a year. The share price of Fidelity Japanese Values PLC appears daily in The Financial Times. Price and performance information is also available at fidelity.co.uk/its Investors can obtain the real-time share price by phoning FT Cityline on 0906 843 0000, selecting option 2 and entering 4021 (calls charged at 60p per minute on a per second basis from a BT landline.
Charges from other telephone networks may vary.)

Investing in Fidelity Japanese Values PLC

FURTHER INFORMATION

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

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

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

The Fidelity Individual Savings Account ("ISA") is offered and managed by Financial Administration Services Limited. The Fidelity Investment Trust Share Plan is managed by FIL Investments International. Both companies are regulated by the Financial Services Authority. The Fidelity Investment Trust Share Plan is administered by [Equiniti Limited (formerly Lloyds TSB Registrars) and shares will be held in the name of Lloyds TSB Registrars Savings Nominees Limited.] The value of savings and eligibility to invest in an ISA will depend on individual circumstances and all tax rules may change in the future. Fidelity investment trusts are managed by FIL Investments International. Fidelity only gives information about its own products and services and does not provide investment advice based on individual circumstances. Should you wish to seek advice, please contact a Financial Adviser.

Please note that the value of investments and the income from them may fall as well as rise and the investor may not get back the amount originally invested. Past performance is not a guide to future returns. For funds that invest in overseas markets, changes in currency exchange rates may affect the value of your investment. Investing in small and emerging markets can be more volatile than older developed markets.

Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only. Investors should also note that the views expressed may no longer be current and may have already been acted upon by Fidelity.

Issued by Fidelity Japanese Values PLC

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WARNING TO SHAREHOLDERS - BOILER ROOM SCAMS

Over the last year, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Services Authority (FSA) has reported that the average amount lost by investors is around £20,000.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/register
- Report the matter to the FSA either by calling 0845 606 1234 or visiting www.moneymadeclear.fsa.gov.uk
- If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

More detailed information on this or similar activity can be found on the FSA website www.moneymadeclear.fsa.gov.uk

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