Fidelity Japanese Values PLC

Annual Report

For the year ended 31 December 2010

Managed by

Fidelity INTERNATIONAL

aic
The Association of Investment Companies

Contents

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 16 and 17

Performance (as at 31 December 2010)

Net Asset Value ("NAV") Total Return – undiluted	+23.2%
Ordinary Share Price Total Return	+18.0%
Russell Nomura Mid/Small Cap Index (in sterling terms)	+18.6%
Equity Shareholders' Funds	£65.5m
Market Capitalisation	£57.0m

Capital Structure: 95,684,520 Ordinary shares of 25p each and 19,008,314 Subscription shares of 5p each as at 31 December 2010

Standardised Performance (on a total return basis %)

	01/01/2006 to 31/12/2006	01/01/2007 to 31/12/2007	01/01/2008 to 31/12/2008	01/01/2009 to 31/12/2009	01/01/2010 to 31/12/2010
NAV (debt at par)	-35.6	-16.2	-19.6	+3.7	+23.2
Share price	-43.6	-20.4	-28.6	+16.2	+18.0

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

Financial Summary

		2010	2009	% change
Assets at 31 December				
Total assets employed[1]		£65.49m	£53.10m	+23.3
Shareholders' funds		£65.49m	£53.10m	+23.3
Contracts For Difference ("CFDs") exposure		£16.63m	£18.26m	-8.9
NAV per share – undiluted		68.44p	55.56p	+23.2
NAV per share – diluted[2]		66.21p	55.47p	+19.4
Results for year to 31 December - see page 34				
Revenue loss per ordinary share		(0.30p)	(0.73p)	
Capital return per ordinary share		13.19p	2.71p	
Total return per ordinary share		12.89p	1.98p	
Stock Market Data at 31 December				
Russell Nomura Mid/Small Cap Index (in sterling terms)		2.0158	1.6994	+18.6
Yen/£ exchange rate		126.982	150.335	+18.4
Ordinary share price	year end	57.25p	48.50p	+18.0
	high	57.25p	52.00p	
	low	47.25p	29.50p	
Discount – undiluted	year end	16.4%	12.7%	
	high	20.2%	31.0%	
	low	12.7%	10.6%	
Discount – diluted	year end	13.5%	12.6%	
Subscription share price	year end	11.75p	8.28p	
	high	13.50p	11.25p	
	low	5.25p	6.62p	
Returns for the year to 31 December				
NAV – total return[3]		+23.2%	+3.7%	
Ordinary share price – total return		+18.0%	+16.2%	
Russell Nomura Mid/Small Cap Index (in sterling terms)		+18.6%	-6.3%	
Total Expense Ratio[4]		2.08%	2.17%	

1 Total assets less current liabilities
2 The diluted net asset value is included in this report since the net asset value per ordinary share is greater than the exercise price of the subscription shares. Hence, if the subscription shares had converted at the year end date, the net asset value per ordinary share in issue would have been diluted
3 The increase in the NAV – total return is less than the increase in shareholders' funds because of the dilutive effect of the exercise of subscription shares during the year at an exercise price less than the NAV per ordinary share
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 2010

The Year's Results: NAV (undiluted) 68.44p (+12.88p; +23.2%)

The ordinary share price: 57.25p (+8.75p; +18.0%)

The subscription share price: 11.75p (+3.47p; +41.9%)

Discount: 16.4% (12.7% in 2009)

PERFORMANCE REVIEW

Over the year to 31 December 2010, your Company's net asset value increased 23.2%, outperforming the benchmark Index by 4.6 percentage points in sterling terms.

The increase in value was primarily due to currency gains, as the yen appreciated against sterling by 18.4% over the year. Stock selection, gearing and the rise in the stockmarket also contributed to performance as detailed in the attribution analysis below. The use of Contracts For Difference ("CFDs") offered the most cost effective means of obtaining leverage in prevailing market conditions.

The Company's positive stock selection was largely attributable to holdings in fast growing internet-related businesses and niche auto parts makers. A rapid increase in demand for smartphones and tablet PCs created new business opportunities for internet-based service providers. At the same time, signs of a cyclical recovery buoyed investor confidence in automobiles and auto parts makers. Despite a sharp appreciation of the yen, these companies were set to report record profits thanks to growing demand from developing countries and aggressive cost-cutting efforts.

As a result of the tragic events of the last week, referred to later in my statement, our share price has inevitably fallen back.

MARKET REVIEW

After peaking in mid-April 2010, Japanese equities corrected sharply at the end of August. Mounting concerns about rapid yen appreciation, the uncertain outlook for the US economy and a lack of meaningful policy action by the Japanese authorities depressed share prices and the Japanese market significantly underperformed its global counterparts.

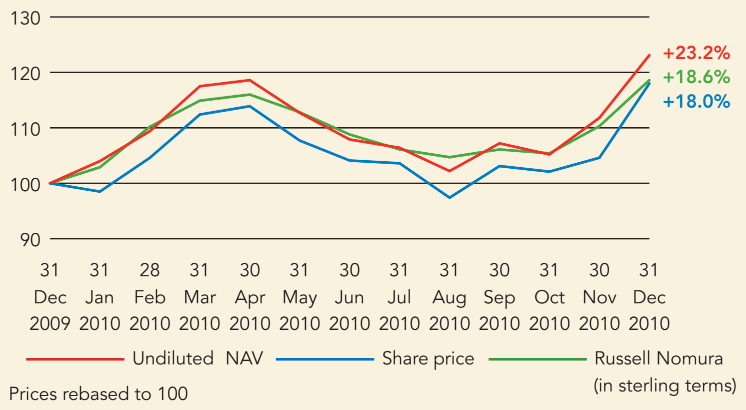
In the autumn, large scale currency intervention and additional monetary easing by the Bank of Japan appeared to put a stop to this underperformance. However, investor interest was short lived and share prices tailed off under pressure from further yen appreciation.

It was the advent of further quantitative easing in the US in the first week of November that proved to be the key turning point for the Japanese market. Expectations of a brighter outlook for the US economy led to a reversal in the yen and a subsequent rebound in share prices. Thereafter, comparatively stable overseas economic data, robust interim earnings, the announcement by the Japanese government of a 5% cut in the rate of corporation tax and an extended tax break on securities investment all contributed to a further upswing in share prices.

Meanwhile, overseas investors, encouraged by the reversal in the yen, stepped up their net purchases of Japanese stocks. December marked a fourth

Attribution Analysis	Year ended 31 December 2010 (pence)
NAV (undiluted) at 31 December 2009	**55.56**
Impact of the Index (in yen terms)	0.11
Impact of Index Income (in yen terms)	0.97
Impact of the Exchange Rate	10.50
Impact of Stock Selection	2.13
Impact of Gearing	0.48
Impact of Charges	-1.11
Cash/Residual	-0.20
NAV (undiluted) at 31 December 2010	**68.44**

Performance for the year to 31 December 2010



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

Chairman's Statement

consecutive month of net buying and total purchases for the year sharply exceeded the 2009 level.

Over the year, the performance of mid/small-cap stocks compared favourably with that of larger companies. A recovery in corporate earnings became clear from the middle of the 2009 fiscal year and smaller companies appeared undervalued.

GEARING

The Company gears through the use of CFDs. Total exposure was £80.14m as at the year end, equating to gearing of 22.4% (see page 53 for further details).

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. He 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, Nicholas Barber is subject to re-election at the forthcoming Annual General Meeting. He has proved to be a most diligent member of the Board and has discharged his duties as Senior Independent Director conscientiously. The Board recommends to shareholders that they vote in favour of the proposal.

I have also been on the Board for more than nine years 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.

In accordance with the Company's Articles of Association, which require that a Director retires by rotation at the third annual general meeting after his last appointment, and following an evaluation of their performance by their fellow Directors and on the other Directors' recommendation, Philip Kay and David Miller will seek re-election at the forthcoming Annual General Meeting. They both continue to provide an invaluable contribution to the direction of the Company.

It is my intention to step down from the Board at the conclusion of the business of the Annual General Meeting in 2012 and Nicholas Barber has indicated his intention to retire later that year. In preparation for this, and following a review of Board composition, we were pleased to welcome Sir Laurie Magnus and David Robins to the Board on 1 October 2010 and 1 February 2011 respectively. Their experience in financial matters and investment trusts is well suited to the Company's needs and their previous exposure to Asia and Japan respectively is most pertinent.

Although the appointment of two new non-executive Directors leads to a temporary increase in the size of the Board, it ensures sufficient scope for succession planning. Having been appointed during the course of the year, both will seek election to the Board at this year's Annual General Meeting and the Board is happy to recommend the proposals. It is the Board's intention to appoint Sir Laurie Magnus to the position of Audit Committee Chairman at the conclusion of the business of the Annual General Meeting in 2011.

As detailed in the biographies on pages 14 and 15 the Directors have a wide range of appropriate skills and experience to make up a balanced Board for your Company.

I have, together with representatives of the Manager (including Shinji Higaki) and the Company's broker, continued to hold meetings with shareholders during the year.

SUBSCRIPTION SHARES

The rights attaching to a total of 107,067 subscription shares were exercised during the year ended 31 December 2010, at which point the total number of subscription shares in issue was 19,008,314. Since the year end the rights attaching to a further 1,612,509 subscription shares have been exercised. Further details on the subscription shares may be found in the Directors' Report on page 19.

SHARE REPURCHASES

Purchases of ordinary and subscription 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 net asset value of ordinary shares for the remaining shareholders. In recent years share repurchases have been used sparingly due to their impact on liquidity and gearing. 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 – 12 MAY 2011

The Annual General Meeting will be held at midday on 12 May 2011 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 the Directors and the Portfolio Manager. Following the meeting the Portfolio Manager will give a presentation on the past year and the prospects for the current year.

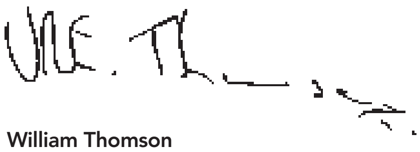
OUTLOOK

The horrific pictures that we have seen of the devastating effects of the Sendai earthquake and subsequent tsunami confirm to us all that our thoughts should be with the people of Japan. We are confident that their natural resilience will prevail during these difficult times. Fortunately, Fidelity's Tokyo office has not been directly impacted and the personnel are working to ensure that a normal level of service is provided. Contingency plans are in place if the situation should worsen in any way.

It is extremely difficult to write an outlook so close to the events. Although it appears that most companies in our portfolio have little direct exposure to the heavily affected region, the disruptions to infrastructure, transport and power are of serious concern. In particular this applies to the nuclear problems.

At the time of writing, the Bank of Japan has demonstrated its willingness to support the Japanese economy by injecting liquidity into money markets and increasing the size of its asset purchase programme. These moves have been welcomed although concerns have been raised regarding the Japanese government's increasing debt position.

The disaster came at a time when the outlook for Japan was starting to look more positive, for the reasons set out in the Manager's Review. We hope that, despite the effects of the disaster, this improved state of affairs will return soon. The Board considers that it is important to retain perspective when considering the outlook and to maintain a long term view supporting long term investment in Japan.



William Thomson
Chairman
18 March 2011

Manager's Review

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 2010, had total assets under management exceeding £160 billion.

SHINJI HIGAKI
Shinji Higaki has been managing the Company's portfolio since September 2007. He also manages 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.

Please Note
The Manager's Review reflects the position of the market and the portfolio prior to the tragic events of the Sendai earthquake and subsequent tsunami. The impact of this catastrophe on the market and the portfolio are referenced at the end of the Manager's Outlook section on page 7.

Following a market rally during the first four months of the year, the Japanese market underwent a sharp correction, hitting year to date lows. A string of weaker than expected economic indicators in the US and policy tightening in China gave rise to doubts about the sustainability of the global recovery. Furthermore, mounting concerns about sovereign credit risk in Europe and a sharp upturn in the yen, which climbed to a 15 year high against the US dollar and a 9 year high against the euro, exacerbated a flight from risk among overseas investors. While the resignation of Prime Minister Yukio Hatoyama and subsequent appointment of Naoto Kan did little to stir the stockmarket, reports of further capital raising in the banking sector renewed concerns about equity supply/demand.

Having underperformed the global equity market for nearly six months, the Japanese equity market finally reversed its course in the first week of November in response to the quantitative easing in the US. A reversal in the yen was triggered and overseas investors stepped up their net purchases of Japanese stocks. Relatively stable macroeconomic data in the US, Japanese companies' robust interim earnings and domestic policy support measures further fuelled a rally towards the end of the year.

Over the year, valuations of Japanese stocks remained at historically attractive levels. In particular, valuations of mid/small cap stocks compared favourably with large cap stocks, with many trading on single-digit earnings multiples and/or below their book value and this contributed to outperformance.

At a sector level, the best performers over the year were commodity related. Consumer lenders and leasing firms also performed well amid signs of an earnings recovery. In contrast, equity financing depressed performance in the mining sector and general market weakness hampered securities stocks.

PORTFOLIO REVIEW

The Company outperformed the Russell Nomura Mid/Small Cap Index (in sterling terms) for the second consecutive year.

We are pleased to report that many of the Company's top holdings, where the Manager maintained strong convictions, performed well and contributed to performance. A stock selection strategy with an emphasis on fast growing mid/small cap internet-related businesses paid off. The leading contributor was M3, which provides web-based two-way marketing/customer support services for pharmaceutical companies and doctors. Its quarterly sales growth had been stronger than forecast with a solid increase in average annual revenue per user for the top ten clients. Its US operations have been gathering momentum with a higher number of drugs marketed through the website and its launch in the UK market is expected through the acquisition of a UK based healthcare research firm, EMS Research. The second largest contributor was Kakaku.com which operates a price comparison website. It continued to hit new highs as rising demand for price comparison and restaurant search services highlighted its growth potential. In addition, strong quarterly earnings growth and an increase in dividends boosted investors' confidence in Bit-Isle, which operates internet data centres.

Elsewhere, a holding in Asahi Diamond Industrial assisted performance. Its share price rose on the expectation of the increased application of electroplated diamond wire in the solar cell and LED markets.

Holdings in niche auto parts makers also added value. The strong share price performance of Takata (seat belts and airbags), Sanden (compressors for air conditioners) and Exedy (clutches) mirrored their solid quarterly earnings growth driven by strong demand from emerging markets. Takata has a high global market share and car sales in China and India have been growing rapidly. Until recently, cars sold in these developing markets did not have to have safety equipment such as seat belts and airbags. However, the introduction of more stringent safety regulations is likely to increase demand for safety equipment and Takata is well positioned to benefit from this trend. On the other hand, the performance of Toyota Boshoku was disappointing, as concerns about deteriorating profit margins weighed on its share price. Despite a near term earnings slowdown, we believe Toyota Boshoku remains undervalued relative to other auto parts makers. It is well positioned to benefit from a cyclical recovery in global automobile production.

Another detractor was LEC, a producer of plastic goods, which sustained a setback before rising towards the end of the review period. We maintained the overweight position in LEC throughout the year as we believed that the market underestimated its earnings growth potential. Furthermore Mixi, which runs Japan's largest social networking site, suffered from a slowdown of advertising sales growth which negatively affected investor sentiment. We sold out of the position in Mixi as its valuations looked increasingly stretched.

Within the technology sector, relatively large overweight positions were built in electronic component makers Megachips, Mitsumi Electric and Murata Manufacturing. They offer a technological advantage in high end electronic components required by smart phones and tablet PCs. The Manager also continued to favour factory automation equipment makers including Sanyo Denki and Fanuc that stand to benefit from Chinese companies' strong capital spending.

OUTLOOK

In recent months, we have started to see signs of a tentative improvement in the outlook for global growth and some leading indicators are pointing towards a reacceleration in the US economy. In particular, the US and China have shown an increase in new orders. A combination of strong growth in China and a rebound in the US should underpin a cyclical recovery in Japan, whereby a pickup in export growth drives broader economic activity. Furthermore, it is hoped that confidence will increase due to Japanese fiscal policy.

If the global economy continues to expand by 4% to 5%, as predicted by the IMF in its latest *World Economic Outlook* report, then Japanese companies should be able to deliver material recurring profit growth. In addition, the government's recent proposal to cut the corporation tax rate by 5% should provide a further boost. Looking ahead to 2012, if the US economy and dollar recover through 2011 there is a possibility that recurring profits will approach the record level set in 2007.

Despite the recent turnaround in the Japanese market, valuations remain at historically attractive levels.

As corporate balance sheets have improved significantly, there is also the potential for companies to use their unprecedented levels of free cash flow to enhance shareholder returns through dividend increases and share buybacks. A combination of the record level of cash and the record low level of share price valuations should create a favourable environment for corporate activity.

In the mid/small cap space, many stocks trade on single digit earnings multiples and are returning to peak earnings. Furthermore, around 60% of mid/small caps continue to trade below book value despite a clear improvement in fundamentals. A substantial valuation gap with larger companies suggests the potential for future outperformance.

The above comments reflected our view as of the end of February 2011. Since then, to our horror, the unprecedented tragedy struck the north-eastern part of Japan on Friday 11 March 2011. Thousands of lives were lost and many are still missing. We would like to offer our deepest sympathy to all whose families have been devastated by the events and who are enduring extreme hardship.

At this early stage, however, it is difficult to gauge the ultimate impact, as news flow regarding the nuclear power plant crisis is continually evolving and markets will remain sensitive to any negative developments. Furthermore, the absence of a clear resolution to this disaster will hamper relief and reconstruction efforts. Only once this process begins will we be able to gauge the impact of the earthquake on Japan's economy and corporate earnings.

The tragic events triggered a wave of panic selling in the following days. As the selling was indiscriminate, we believe that there are an increasing number of opportunities in oversold names. Stepping away from the current situation, we believe that the Company's portfolio is well positioned to capitalise on a secular growth trend, particularly in internet-related services and factory automation equipment.

FIL Investments International
18 March 2011

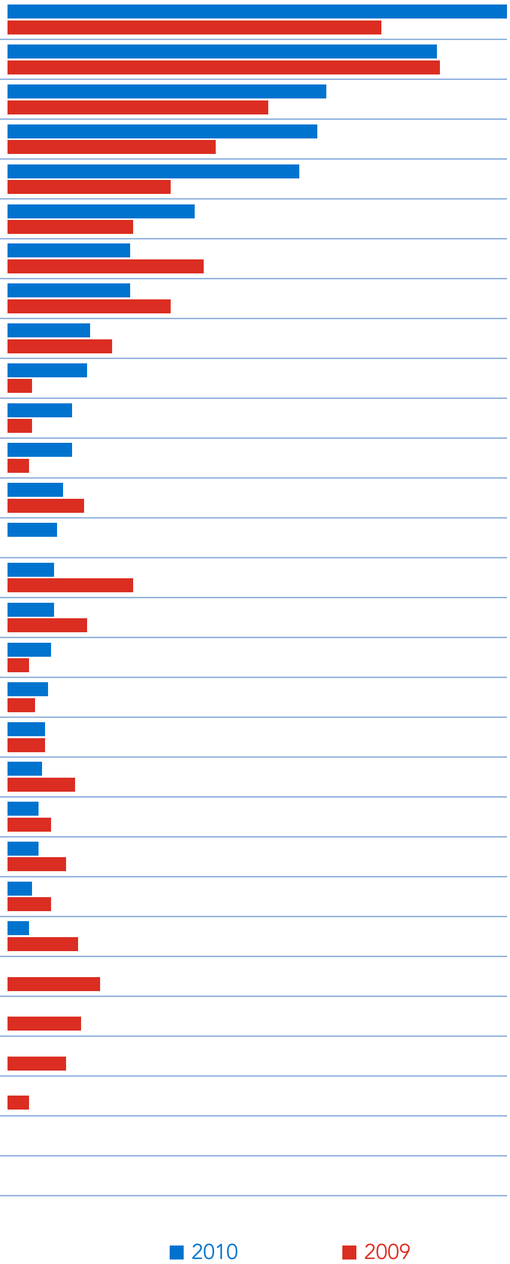
Ten Largest Investments

Ten Largest Investments (including derivatives) as at 31 December 2010 (The Full Portfolio Listing is set out on pages 51 and 53)	Exposure £'000	Fair Value[1] £'000	Total Exposure %[2]
Takata (CFD) Develops, manufactures and sells safety products for automobiles	2,630	558	3.3
Sekisui Chemical (CFD) Engaged in housing construction, housing materials, high-performance plastic segments and flat panel displays	2,549	308	3.2
M3 (CFD) Medical related internet service provider	2,493	740	3.1
Kakaku.com (CFD) Provides price comparison services and product information	1,970	565	2.5
FP (CFD) Manufactures polystyrene and synthetic resins	1,931	126	2.4
NPC Engaged in photovoltaic manufacturing equipment business and vacuum packaging machine business	1,525	1,525	1.9
Toyota Boshoku Manufactures automotive components	1,475	1,475	1.8
LEC Manufactures household products	1,414	1,414	1.8
Mitsumi Electric Produces communication and digital audio visual equipment	1,404	1,404	1.7
Bit-Isle Information technology company	1,356	1,356	1.7
Ten largest investments (2009: 20.6%)	**18,747**	**9,471**	**23.4**
Other investments (2009: 76.9%)	**60,443**	**55,069**	**75.4**
Cash and other net current assets (2009: 2.5%)	**948**	**948**	**1.2**
	80,138	**65,488**	**100.0**

1 Fair Value represents the carrying value in the Balance Sheet on page 36
2 Based on total exposure which is the fixed asset investments plus the exposure of the underlying securities within the CFDs (see Full Portfolio Listing on pages 51 to 53 for further details)

Distribution of the Portfolio as at 31 December 2010

Investments (including derivatives)	2010 %[1]	2009 %[1]
Chemicals	16.3	12.2
Electrical Machinery	14.0	14.1
Services	10.4	8.5
Transport Equipment	10.1	6.8
Machinery	9.5	5.3
Information & Communications	6.1	4.1
Banks	4.0	6.4
Retail Trade	4.0	5.3
Glass & Ceramics	2.7	3.4
Real Estate	2.6	0.8
Steel Products	2.1	0.8
Non-ferrous Metals	2.1	0.7
Wholesale Trade	1.8	2.5
Precision Instruments	1.6	–
Construction	1.5	4.1
Other Products	1.5	2.6
Metal Products	1.4	0.7
Foods	1.3	0.9
Rubber Products	1.2	1.2
Insurance	1.1	2.2
Land Transportation	1.0	1.4
Textiles & Apparel	1.0	1.9
Securities	0.8	1.3
Other Financing Business	0.7	2.3
Pharmaceuticals	–	3.0
Electric Power & Gas	–	2.4
Oil & Coal Products	–	1.9
Mining	–	0.7
Cash & other net current assets	1.2	2.5
Total	100.0	100.0



1 % based on total exposure which is the fixed asset investments plus the fair value of the underlying securities within the CFDs

Summary of Performance

Historical Record as at 31 December	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total assets employed (£m)	65	53	75	79	92	137	86	76	59	71	100
Shareholders' funds (£m)	65	53	51	65	78	121	70	59	42	54	73
NAV per share (p) - undiluted	68.44	55.56	53.58	66.67	79.59	123.56	71.26	60.42	42.82	53.12	69.81
NAV per share (p) - diluted	66.21	55.47	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ordinary share price (p)	57.25	48.50	41.75	58.50	73.50	130.25	61.75	51.00	35.00	41.25	63.75
Warrant price (p)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.35	1.50	7.50	14.25
Subscription share price (p)	11.75	8.28	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
(Discount)/premium to NAV % – undiluted	(16.4)	(12.7)	(22.1)	(12.3)	(7.7)	5.4	(13.3)	(15.6)	(18.3)	(22.3)	(8.7)
(Discount)/premium to NAV % – diluted	(13.5)	(12.6)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Revenue loss per ordinary share (p)	(0.30)	(0.73)	(0.12)	(0.49)	(0.68)	(1.02)	(0.89)	(0.65)	(0.69)	(1.22)	(2.01)
Dividend per ordinary share (p)	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil
Cost of running the Company (total expense ratio) (%)	2.08	2.17	1.98	1.65	1.46	1.83	1.83	1.93	1.63	1.93	1.52
Borrowing less cash as % of shareholders' funds	n/a	n/a	28.5	20.7	16.9	11.5	22.0	22.6	32.6	28.2	28.3
NAV per share performance (%) – undiluted	+23.2	+3.7	-19.6	-16.2	-35.6	+73.4	+17.9	+41.1	-19.4	-23.9	-60.5
NAV per share performance (%) – diluted	+19.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ordinary share price performance (%)	+18.0	+16.2	-28.6	-20.4	-43.6	+110.9	+21.1	+45.7	-15.2	-35.3	-60.6

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

Summary of Performance

The Company was launched on 17 November 1994 with one warrant attached to every five shares (the final subscription date for the warrants was 30 April 2004). The original subscription price for each share was £1. The Company issued one subscription share for every five ordinary shares held on 11 November 2009. The 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 Companies". The ordinary share price is also published in The Times, The Daily Telegraph and The Independent. You can also obtain current price information by telephoning Fidelity on 0800 41 41 10 (freephone) or by telephoning FT Cityline on 0905 817 1690, (voice activated service – all calls charged at 60p per minute on a per second basis from a BT landline. Charges for other telephone networks may vary). The Reuters code for Fidelity Japanese Values is FJV.L for the ordinary shares and FJV.S for the subscription shares.

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 £10,100 of capital gains in the current tax year 2010/2011 (2009/2010 tax year: same) before being liable for capital gains tax. For gains made prior to 22 June 2010, capital gains tax is charged at a flat rate of 18%. For gains made after this date capital gains tax is charged at 18% or 28% dependant on the total amount of taxable income.

The receipt by ordinary shareholders of the subscription shares arising from the Bonus Issue is treated as a reorganisation of the share capital of the Company. Accordingly, the subscription shares are treated as the same asset as a shareholder's holdings of ordinary shares and as having been acquired at the same time as the shareholder's holding of ordinary shares was acquired. As a result of the Bonus Issue the shareholder's original base cost in his or her ordinary shares will be apportioned between these ordinary shares and the subscription shares by reference to their respective market values on the day on which the subscription shares were admitted to trading on the London Stock Exchange's market for listed securities, ie 12 November 2009.

The middle market prices of the ordinary shares and subscription shares at close of business on 12 November 2009 were 46.00 pence and 11.25 pence per share respectively.

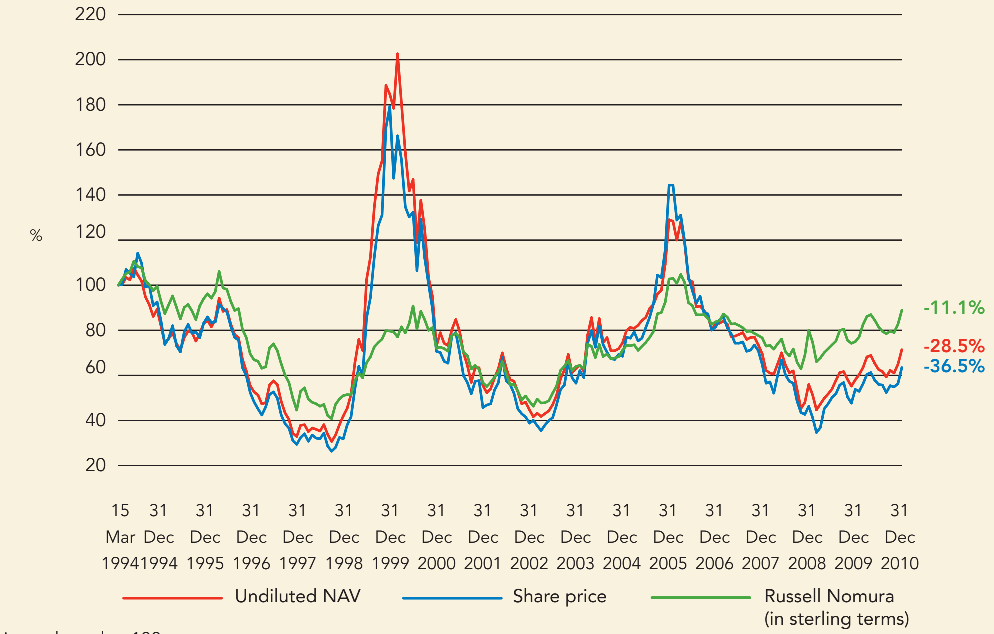
Base cost of ordinary shares equals actual base cost to the shareholder of the ordinary shares multiplied by market value of the ordinary shares on 12 November 2009 divided by market value of the ordinary shares on 12 November 2009 plus market value of the subscription shares on the same date.

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

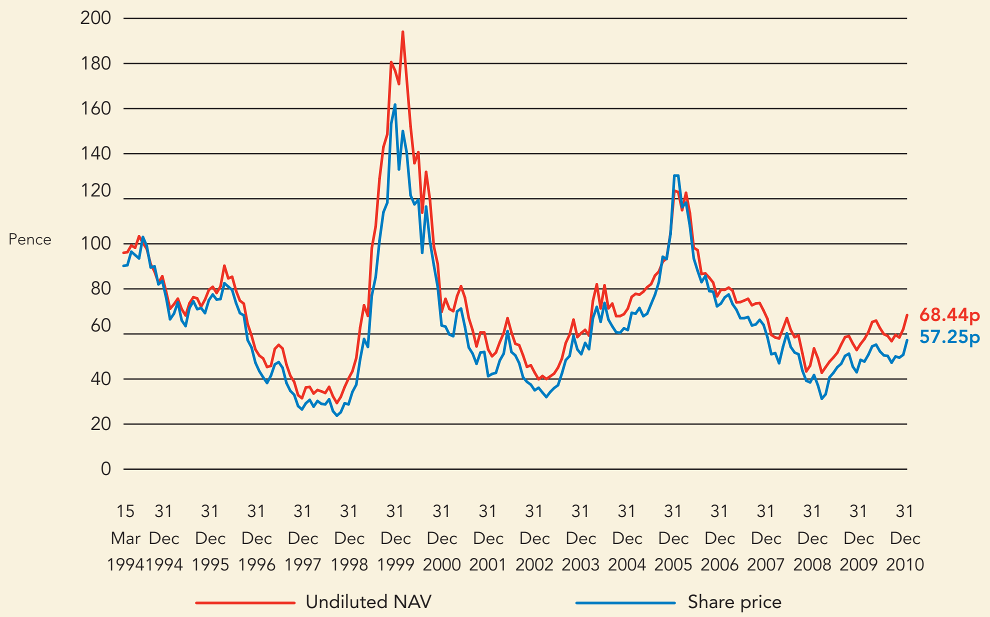
The base cost of each such ordinary share will be the deemed base cost of the subscription share that it replaces, calculated as described above, plus the applicable subscription price of 55 pence per share.

Summary of Performance

Total return performance from launch to 31 December 2010

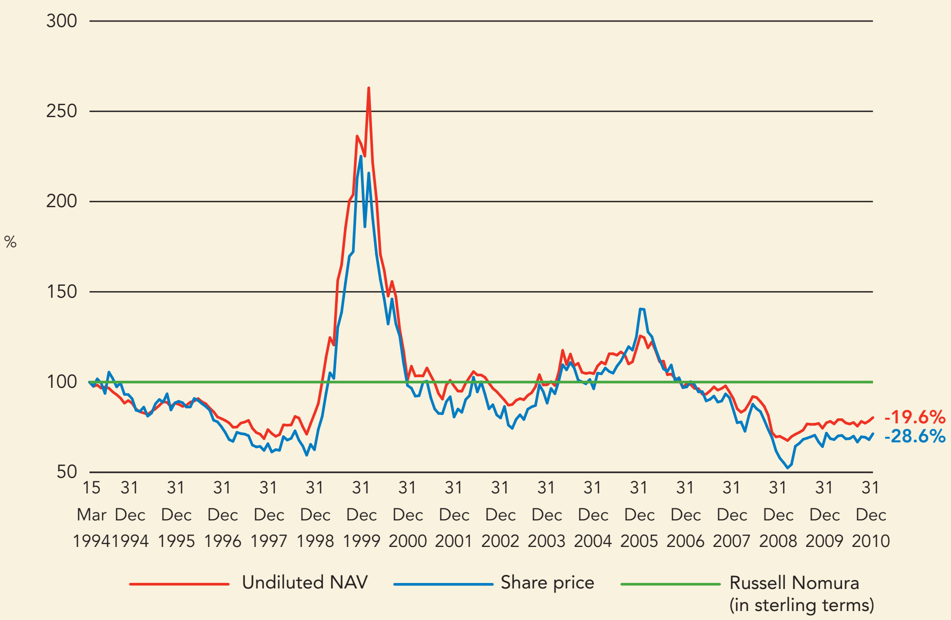


NAV and share price in pence from launch to 31 December 2010



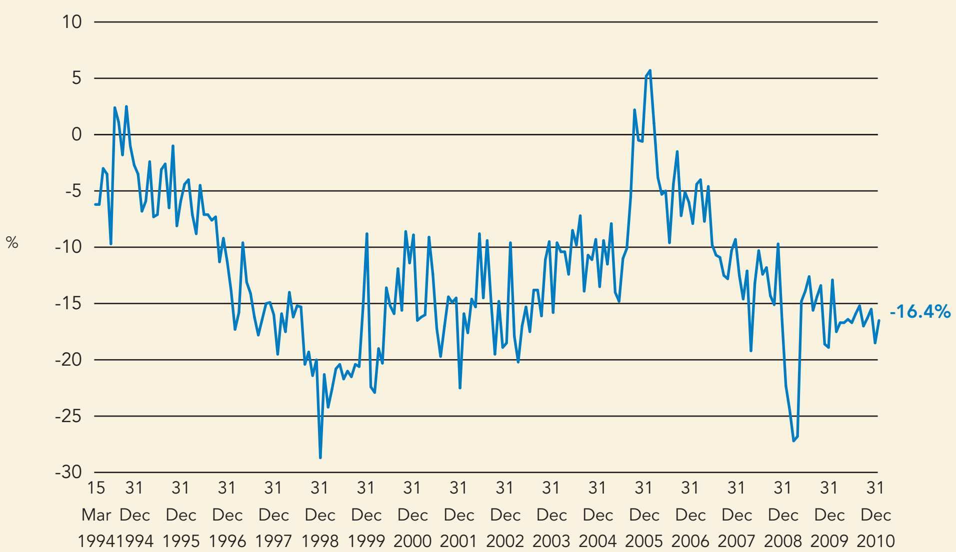
Sources: Fidelity and Datastream
Past performance is not a guide to future returns

Total return performance relative to the index from launch to 31 December 2010



Prices rebased to 100

Share price (discount)/premium to NAV from launch to 31 December 2010



Based on figures at month end only

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
Sir Laurence Magnus
David Miller, OBE
David Robins

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
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Lawyers
Slaughter and May
One Bunhill Row
London
EC1Y 8YY

Speechly Bircham LLP
6 New Street Square
London
EC4A 3LX

William Thomson[1]
(Chairman) (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.

Nicholas Barber, CBE[2]
(Senior Independent Director) (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[3]

(Date of appointment: 11 May 2000) spent 27 years at Fidelity but retired from his executive responsibilities at the end of 2008. He started his career at Fidelity in 1981 as an analyst and spent a number of years in Japan, 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 was the Portfolio Manager for Fidelity Japanese Values PLC from its launch in 1994 until August 1997. He is Chairman of Foreign and Colonial Investment Trust plc and Merchants Investment Trust plc. He is also a director of Barclays PLC, Barclays Bank PLC and Fidelity European Values PLC.

Philip Kay[2]

(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
3 Member of the Audit and Nomination and Remuneration Committees

Sir Laurence Magnus[2]

(Date of appointment 1 October 2010) is Chairman of Lexicon Partners, the privately owned corporate finance advisory business, Deputy Chairman of The National Trust and a director or trustee of a number of private companies and charities. Previously, Sir Laurie worked for Samuel Montagu & Co Limited (HSBC Investment Bank) in a corporate finance advisory capacity, including a number of years spent in Singapore with responsibilities for South East Asia. He was subsequently, in succession, a director of Phoenix Securities, a Managing Director of Donaldson, Lufkin and Jenrette and a Managing Director of Credit Suisse First Boston before joining Lexicon Partners in 2001. He is Chairman of J.P. Morgan Income & Capital Trust PLC and a director of The Cayenne Trust PLC.

David Miller, OBE[2]

(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.

David Robins[2]

(Date of appointment 1 February 2011) is Chairman of Oriel Securities Limited, the privately owned corporate and institutional stockbroking and advisory firm and of Henderson TR Pacific Investment Trust plc. In addition he is Chairman of the Governors of Eltham College and Chairman of the Hackney Empire Limited. Previously, David was Chairman and Chief Executive of ING Barings following a number of years with UBS, most recently as Executive Vice President Europe and Chief Operating Officer Region Europe having spent several years in Switzerland, New York and Japan. Prior to this he was, in succession, a Japanese Economist at the Bank of England, an Executive in the Japanese department of James Capel and then Far Eastern Economist and subsequently Chief International Economist at Philips and Drew. David began his career with the Commonwealth Bank in Sydney.

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 2010.

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 (now Section 1158 of the Corporation Tax Act 2010) for the year ended 31 December 2008 and has granted provisional approval for the year ended 31 December 2009, 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 stockmarkets. 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 to 5 and in the Manager's Review on pages 6 and 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 2010 there were no such holdings in the Company's portfolio (2009: nil).

The Company's investment policy was amended on 10 November 2009 to permit gearing through Contracts For Difference ("CFDs") following the repayment of the Company's loans with The Royal Bank of Scotland PLC in August 2009 and November 2009 respectively. The Company's policy is to be geared in the belief that long term investment returns will exceed the costs of gearing. This gearing is obtained through the use of borrowing and/or through the use of CFDs to obtain exposure to Japanese equities selected by the Manager. The effect of gearing is to magnify the consequence of market movements on the portfolio and if the portfolio value rises the NAV will be positively impacted, but if it falls the NAV will be adversely impacted. The Board is responsible for the level of gearing in the Company and reviews the position on a regular basis. The aggregate exposure of the Company to Japanese equities, whether held directly or through CFDs, will not exceed 130% of total net assets at the time at which any CFD is entered into or a security acquired. The Board also intends that the exposure will not exceed 140% at any other time unless exceptional circumstances exist.

It should be stressed that the majority of the Company's exposure to Japanese equities will be through direct investment, not CFDs. In addition, the limits on exposure to individual companies and groups set out above will be calculated as if the Company had acquired the securities to which any CFD is providing exposure (ie, on a total exposure basis).

The investment in Japanese equities achieved through borrowings and/or CFDs will be subject to the acquisition limits set out above and such amounts will not exceed 30% of shareholders' funds at the time of the exposure. Generally, the maximum that the Company will hold in cash will be 25% of the total value of the Company's assets, but this limit will not include any cash or cash equivalent paid as collateral for unrealised losses on CFDs. In practice the cash position will normally be much lower.

The spread of risk within the Company's portfolio is achieved by having exposure to a wide range of stocks which are chosen on their individual merits.

Within this Annual Report details of the Company's ten largest investments can be found on page 8, and the full portfolio listing can be found on pages 51 to 53.

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 170 analysts and research associates, including 30 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. 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 2010).

KEY PERFORMANCE INDICATORS ("KPIs")

Given the Company's objective and strategy, the Board has identified the KPIs against which performance can be measured as net asset value and Ordinary Share Price. Further details on this are provided below:

	Year ended 31 December 2010	3 Years ended 31 December 2010	5 Years ended 31 December 2010
Net Asset Value Return (undiluted)	+23.2%	+2.7%	-44.6%
Ordinary Share Price Return	+18.0%	-2.1%	-56.0%
Russell Nomura Mid/Small Cap Index (in sterling terms)	+18.6%	+16.0%	-13.5%

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 2010 (pence)
NAV (undiluted) at 31 December 2009	55.56
Impact of the Index (in yen terms)	0.11
Impact of Index Income (in yen terms)	0.97
Impact of the Exchange Rate	10.50
Impact of Stock Selection	2.13
Impact of Gearing	0.48
Impact of Charges	-1.11
Cash/Residual	-0.20
NAV (undiluted) at 31 December 2010	68.44

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 ordinary share price to net asset value

PRINCIPAL RISKS, UNCERTAINTIES AND RISK MANAGEMENT

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 controls 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 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. This process, together with the policies and procedures for the mitigation of risks, is updated and reviewed regularly in the form of comprehensive internal controls reports considered by the Audit Committee.

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

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 47 to 50 together with summaries of the policies for managing these risks. These comprise: market price risk (including other price risk; interest rate risk and foreign currency risk); liquidity risk; counterparty risk and credit risk.

The Company had no loan facilities in place during 2010. The extent to which any loan facilities will be renewed will be kept under the most careful scrutiny. In November 2009 shareholder authority was obtained to amend the Company's investment policy to permit gearing by way of CFDs. In addition a day to day overdraft facility can be used if required. The impact of limited finance from counterparties including suppliers has not affected 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 and Custodian. 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 prices at which the Company's ordinary and subscription shares trade; they may not reflect the value of the underlying investments. However, it can have a modest influence in the market by maintaining the profile of the Company through an active marketing campaign and, under certain circumstances, through repurchasing shares.

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 by way of CFDs 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 details can be found in Note 17 to the financial statements on pages 47 to 50.

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 controls 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 47 to 50. The additional risk to the Company of using CFDs rather than traditional forms of borrowing is that the Company does not own the Japanese equities to which the CFDs give exposure and is at risk if the counterparty defaults, for example for insolvency reasons. The balance on all outstanding CFDs is calculated on a daily basis with collateral then adjusted so that collateral equal to the outstanding balance has been recognised, although no collateral adjustment is made where the balance is less than US$1 million. This results in a potential exposure which could be increased due to settlement practices and timing differences, to a maximum of US$1 million plus three days' unrealised trading profits.

Other risks

Other risks monitored on a regular basis include loan covenants in times when the Company takes out loans, 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 managed by FIL Investments International, 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 has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. FIL Investments International is registered with the Carbon Reduction Commitment Energy Efficiency Scheme administered by the Environment Agency.

The Company's financial reports are printed by a company which has received the relevant accreditations for its environmental awareness and further details of this may be found on the back cover of this report. Financial reports and other publicly available documentation are also available on the Company's website www.fidelity.co.uk/its. Details about Fidelity's own community involvement may be found on its website www.fidelity.co.uk

SOCIALLY RESPONSIBLE INVESTMENT

The Manager's primary objective is to produce superior financial returns to investors. It believes that high standards of corporate social responsibility ("CSR") make good business sense and have the potential to protect and enhance investment returns. Consequently, 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 particularly controversial issues (which are then referred to the Board) 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 on page 34 shows a deficit after taxation for the year of £287,000 and therefore the Directors do not recommend the payment of a dividend.

SHARE CAPITAL AND BONUS ISSUE

The Company's issued share capital comprises ordinary shares of 25 pence each and subscription shares of 5 pence each. As at 31 December 2010 the total number of ordinary shares in issue was 95,684,520 (2009: 95,577,453). Each ordinary share in issue carries one vote. Deadlines for the exercise of voting rights and details of arrangements by which someone other than the shareholder can exercise voting rights are detailed in the Notes to the Notice of Meeting on pages 55 and 56.

Each subscription share gives the holder the right, but not the obligation, to subscribe for one ordinary share at the end of each month until the end of February 2013 inclusive. Each subscription share may only be exercised once. The exercise price is 55 pence per share based on the Company's NAV at 5.00pm on 10 November 2009, plus a 1% premium to such NAV, rounded up to the nearest whole penny. During the year ending 31 December 2010, a total of 107,067 subscription shares were exercised. As at 31 December 2010, the total number of subscription shares in issue was 19,008,314. Since the year end a further 1,612,509 subscription shares have been exercised. The subscription shares were listed and trading commenced on these shares on 12 November 2009. These subscription shares do not carry voting rights. Details of the subscription shares for capital gains tax purposes may be found on page 11.

ORDINARY SHARE ISSUES

Other than the issue of ordinary shares following the exercise of rights attaching to subscription shares as detailed on page 20, no shares were issued during the year (2009: nil).

SHARE REPURCHASES

At the Annual General Meeting held on 13 May 2010 the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to

Directors' Report

14,335,900 ordinary shares and 2,856,500 subscription shares in the market for cancellation. No ordinary or subscription shares were repurchased for cancellation during the year (2009: nil). The authority expires on 12 May 2011 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 (2009: 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 (2009: 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 and amended on 18 January 2011 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 page 29.

The Manager also provides certain other services, including marketing and administration, in connection with the Fidelity Investment Trust Share Plan and the Fidelity Individual Savings Account under an Agreement dated 12 March 1996. Fees payable under this Agreement for the year to 31 December 2010 were £66,000 (2009: £59,700).

An amount of £278,000 (2009: £244,400) was due to the Manager under the above agreements at 31 December 2010 and is included in creditors in Note 11 on page 43.

Fidelity has adopted a broker segmentation policy, which has reduced the number of brokers used, and allows it to concentrate on those brokers who, in its opinion, offer the best service in terms of overall execution. These brokers are Fidelity's "core" brokers. At the same time, the Manager evaluates the research provided by other brokers and uses some of them for their research. These brokers are called Secondary State Research firms ("SSRs"). As a consequence of this policy, the "core" brokers earn a larger percentage of the commission paid. These "core" brokers pay away some of this commission earned to the SSRs to compensate them for the research provided to Fidelity. Under 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 2010 no monies were received (2009: £6,700).

Simon Fraser was employed by Fidelity International until the end of December 2008. FIL Investments International is a member of the Fidelity International group of companies.

Since the year end, FIL Limited has exercised the rights attaching to its entire holding of subscription shares in the Company and was allotted 1,310,820 ordinary shares. As at the date of this report FIL Limited has an interest in 8,224,920 ordinary shares in the Company (8.45%) on its own account.

DIRECTORS

Details of the Directors who served during the year to 31 December 2010 are set out on pages 14 and 15.

In accordance with the Listing Rules, Simon Fraser, a recent employee of the Manager, is subject to annual re-election. The details of his fees may be found in the Directors' Remuneration Report on page 31.

Having served for more than nine years, William Thomson and Nicholas Barber seek annual re-election and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

In accordance with the Company's Articles of Association, which require that a Director retires by rotation at the third annual general meeting after his last appointment, Philip Kay and David Miller will seek re-election at the forthcoming Annual General Meeting.

During the course of the year, Sir Laurie Magnus was appointed as a Director of the Company on 1 October 2010. Since the year end, David Robins was appointed as a Director of the Company on 1 February 2011. They both seek election at this year's 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 and subscription shares of the Company as at 31 December 2010 and 31 December 2009 were as in the tables below. Following his appointment to the Board, Sir Laurie Magnus acquired 40,000 ordinary shares on 18 November 2010. There were no further changes to the ordinary or subscription share holdings during the year and there have been no changes in these ordinary or subscription share holdings since the year end.

	31 December 2010 ordinary shares	31 December 2009 ordinary share
Nicholas Barber	10,000	10,000
Simon Fraser	30,000	30,000
Philip Kay	10,144	10,144
Sir Laurie Magnus [1]	40,000	n/a
David Miller	20,000	20,000
David Robins [2]	n/a	n/a
William Thomson	15,000	15,000

1 Appointed to the Board 1 October 2010
2 Appointed to the Board 1 February 2011

	31 December 2010 subscription shares	31 December 2009 subscription shares
Nicholas Barber	2,000	2,000
Simon Fraser	6,000	6,000
Philip Kay	2,028	2,028
Sir Laurie Magnus [1]	–	n/a
David Miller	4,000	4,000
David Robins [2]	n/a	n/a
William Thomson	3,000	3,000

1 Appointed to the Board 1 October 2010
2 Appointed to the Board 1 February 2011

Information on the appointment, re-election and replacement of Directors and amendments to the Company's Articles of Association is included in the Corporate Governance Statement on pages 25 to 27. Any amendments to the Company's Articles of Association must be made by special resolution.

DIRECTORS AND OFFICERS' LIABILITY INSURANCE

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

SUBSTANTIAL SHARE INTERESTS

As at the date of this report, 15.85% of the issued ordinary 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 ordinary share capital of the Company:

Substantial share interests	%
FIL Limited [1]	24.30
1607 Capital Partners, LLC[2]	14.05
Barclays PLC [3]	5.92
Midas Capital Plc [4]	5.33
Laxey Partners Limited [5]	4.94
Tattersall Advisory Group, Inc. [6]	4.19
Wesleyan Assurance Society [7]	3.48

1 Direct holding on own account (8.45%) and indirect holding for clients (15.85%)
2 Direct holding for clients
3 Direct holding for various Barclays entities and clients. Simon Fraser has no influence over the number of shares held by Barclays PLC or the exercise of the rights attached to such shares
4 Indirect holding on own account
5 Indirect holding of funds under discretionary management
6 Direct holding for clients
7 Direct holding on own account

	Analysis of ordinary shareholders as at 31 December 2010 % of issued share capital
Retail Investors[1]	43.16
Other Funds	44.36
Pensions	5.26
Insurance	4.86
Trading	1.55
Charities	0.81
	100.00

1 Includes Share Plan and ISA investors

	Analysis of subscription shareholders as at 31 December 2010 % of issued share capital
Retail Investors[1]	60.04
Other Funds	26.60
Insurance	5.47
Pensions	4.03
Trading	3.86
	100.00

1 Includes Share Plan and ISA investors

Directors' Report

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 12 provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,216,200. If passed, this resolution will enable the Directors to allot a maximum of 4,864,800 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company as at 18 March 2011. 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 allotted for cash, the Companies Act 2006 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 2006 provides for shareholders to give such power to the Directors by waiving their pre-emption rights.

Resolution 13 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 £1,216,200 (5% of the issued ordinary share capital of the Company as at 18 March 2011). The Directors would not issue ordinary shares pursuant to this power at less than the then current net asset value per share ("NAV"), other than in respect of the rights attaching to the subscription shares, for which a separate authority is in place. The authority to issue ordinary shares for cash under Resolutions 12 and 13 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 14 is a special resolution which renews the Company's authority to repurchase its ordinary and subscription shares for cancellation. It is proposed that the Board be authorised to make arrangements to purchase through the London Stock Exchange up to 14,584,750 ordinary shares of 25 pence (equivalent to 14.99% of
the ordinary shares in issue at 18 March 2011). Resolution 14 also renews the Directors' authority to repurchase the Company's subscription shares for cancellation. It is proposed that the Board be authorised to make arrangements to purchase through the London Stock Exchange up to 2,607,500 subscription shares of 5 pence (equivalent to 14.99% of the subscription shares in issue at 18 March 2011). By utilising the power to repurchase ordinary shares when they are trading at a discount to NAV, the Company will increase the resulting NAV per share for remaining shareholders. Subscription shares will only be repurchased when such repurchase would result in an increased NAV for the remaining shareholders taken on a diluted basis.

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 54 to 56.

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 25 to 30. The Corporate Governance Statement forms part of this Directors' Report.

AUDITOR'S RIGHT TO INFORMATION

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

AUDITOR'S APPOINTMENT

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

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business

Review on pages 16 to 19. The financial position of the Company, its cash flows, liquidity position and gearing are described in the Financial Statements and Notes thereto on pages 34 to 50. The Company's objectives, policies and processes for managing its capital, financial risk management objectives, details of financial instruments and its exposures to credit and liquidity risk are also set out on pages 18 and 19 and in the Notes to the Financial Statements on pages 47 to 50.

The Company's assets consist mainly of securities which are readily realisable and, where outsourcing arrangements are in place, alternative service providers are readily available. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

Continuation votes are held every three years and the next continuation vote will be put to shareholders at the Annual General Meeting in 2013.

By Order of the Board
FIL Investments International
Secretary
18 March 2011

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial period. Under 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 adequate accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations the Directors are also responsible for preparing a 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 own jurisdictions.

We confirm that to the best of our knowledge the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and the 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 18 March 2011 and signed on its behalf.

William Thomson
Chairman
18 March 2011

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

AIC CODE

The Board has considered the principles and recommendations of the Association of Investment Companies' Code of Corporate Governance (the "AIC Code"), by reference to the AIC Corporate Governance Guide (the "AIC Guide"). The AIC Code, as explained in the AIC Guide, addresses all of 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 AIC Code and AIC Guide may be found on the AIC's website www.theaic.co.uk

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 Section 1 of 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 that 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.

Under the terms of the Combined Code, Simon Fraser is considered to be a non-independent Director, however the Board considers that he is free from any business or other relationship which they feel may influence or interfere with his judgement in respect of his role as a Director of the Company. In addition, the Directors consider that he brings a wealth of relevant financial services experience to the Board.

The Combined Code states that the Chairman of the Board should not also be Chairman of the Audit Committee however, in this instance, the Audit Committee feel that William Thomson's relevant experience and skills make him the most suitable candidate to chair this Committee, and the other Board Committees at present. It is proposed that the role of Audit Committee Chairman will be assumed by Sir Laurie Magnus following the Annual General Meeting.

References to the Company's compliance with the additional requirements incorporated by the UK Corporate Governance Code, the revised AIC Code and the revised AIC Guide, all of which were published in 2010 and which will apply for the Company's future reporting years are included in the body of the report.

THE BOARD AND ITS COMMITTEES

THE BOARD

The Board of Directors has overall responsibility for the Company's affairs and for promoting the long term success of the Company. All matters which are not delegated to the Company's Manager under the Management and Secretarial Services Agreement are reserved for the Board's decision.

Matters reserved for the Board include, inter alia, decisions on strategy, management, structure, capital, share issues, share repurchases, gearing, financial reporting, risk management, investment performance, share price discount, corporate governance, the appointment of the Company Secretary and Board appointments. The Company's investment policy is detailed on pages 16 and 17.

The Board currently consists of seven Directors, of whom six are independent of the Company's Manager. Simon Fraser is a recent employee of the Manager and cannot therefore be classed as independent. All are considered to be free from any or other relationship which could materially interfere with the exercise of their independent judgement and are able to allocate

	Regular Board Meetings	Nomination & Remuneration Committee Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
William Thomson	4/4	3/3	3/3	1/1
Nicholas Barber	4/4	3/3	3/3	1/1
Simon Fraser	4/4	3/3	3/3	n/a
Philip Kay	4/4	3/3	3/3	1/1
Sir Laurie Magnus	1/1	1/1	1/1	n/a
David Miller	4/4	3/3	3/3	1/1
David Robins	n/a	n/a	n/a	n/a

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

sufficient time to the Company to discharge their responsibilities fully and effectively.

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

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on page 25 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. The Senior Independent Director fulfils the role as a sounding board for the Chairman and as intermediary for other non-executive Directors where necessary.

BOARD BALANCE

The Board consists of Directors who, between them, have good knowledge and wide experience of business in Japan, the Asia region and of investment trusts. The Directors believe that the Board has an appropriate balance of skills, experience, independence, knowledge of the Company and length of service to discharge its duties and provide effective strategic leadership and proper governance of the Company. Biographical details of all Directors including their relevant directorships are given on pages 14 and 15 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. Other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred to them from the Board and the Chairman is in contact with the other Directors regularly without representatives of the Manager being present.

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

SUPPLY OF INFORMATION

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

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

The Board has delegated certain corporate governance responsibilities to the Audit, Management Engagement and Nomination & Remuneration Committees, membership of which is set out on pages 27 and 28. Key representatives of the Manager attend meetings by invitation, enabling Directors to probe further on matters of concern or to seek clarification if required.

CHANGES TO THE BOARD

All appointments to the Board and replacements of Directors take place in accordance with the Companies Act and the Company's Articles of Association. The Company complies with the requirements of the AIC Code in respect of appointments to the Board. 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. Details of the changes to the Board which have taken place during the year and since the year end are outlined in the Directors' Report on page 20.

CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

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

TRAINING

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

PERFORMANCE EVALUATION

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

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

ELECTION AND 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 Nomination and Remuneration Committee has considered the performance and contribution to the Company of each director and concluded that in each case they have been effective and that they continue to demonstrate commitment to their roles. Accordingly, the Committee has recommended their continued service and this has been endorsed by the Board as a whole which recommends the re-election of Mr Thomson, Mr Barber, Mr Kay, Mr Fraser and Mr Miller and the election of Sir Laurie Magnus and Mr Robins at the forthcoming Annual General Meeting to shareholders.

The names of Directors submitted for election or re-election are accompanied by sufficient biographical details to enable shareholders to make an informed decision.

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

DIRECTORS' REMUNERATION

Levels of remuneration are competitive and sufficient to attract and retain the standard of Directors needed to manage the Company successfully. The Company Secretary provides information on comparative levels of Directors' fees to the Board in advance of each review. The level of Directors' fees is determined by the Nomination and Remuneration Committee within the limit governed by the Articles of Association. Directors' fees are disclosed fully in each Annual Report (see the Directors' Remuneration Report on pages 31 and 32). Shareholdings by Directors are encouraged and the Directors' share interests are disclosed in the Directors' Report on page 21. The Directors do not receive performance related remuneration.

THE AUDIT COMMITTEE

The Audit Committee consists of all of the Directors. 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 included on the Company's pages of the Manager's website (www.fidelity.co.uk/its). These duties include: responsibility for making recommendations on the appointment, re-appointment and removal of the external Auditor, discussing the external Auditor's quality control procedure; considering the scope of work undertaken by the Manager's internal audit department; reviewing the Company's procedures for detecting fraud; monitoring the integrity of the financial statements of the Company; reviewing the half-yearly and annual financial statements of the Company prior to their submission to the Board; and reviewing the effectiveness of the internal control system (including financial, operational and compliance controls and risk management). They also include responsibility for reviewing and monitoring the effectiveness of the audit process and 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 and by seeking appropriate disclosures and comfort from the Auditor. The provision of non-audit services is also subject to prior Board approval. No work other than audit was carried out by the company's Auditor during the year.

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

In the year to 31 December 2010 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 including the appointment, reappointment or removal of the Auditor as appropriate

- 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 and considering the risks associated with audit firms withdrawing from the market
- 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 reports 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
- Reviewing the Company's custody arrangements

The last review of alternative audit service providers took place in 2006 resulting in a change of audit firm. The Auditor's continued appointment is reviewed each year and audit partners change at least once every five years. There are no contractual obligations that restrict the Committee's choice of Auditor.

The Committee also reviews corporate governance issues, the existence and performance of all controls operating in the Company (including the adherence to Section 1158 Corporation Tax Act 2010 status), the relationship with and the performance of third party service providers (such as the Registrar and Custodian). The risks associated with audit firms withdrawing from the market are considered in the Committee's risk evaluation and planning.

THE NOMINATION AND REMUNERATION COMMITTEE

The Committee consists of all of the Directors (as there is no reason to exclude any Director), and William Thomson chairs the Committee as he has the requisite experience to do so. 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.

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

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

The Committee's terms of reference are available on the Company's pages of the Manager's website (www.fidelity.co.uk/its). The terms and conditions of appointment of Directors are available for inspection at the registered office of the Company and will be made available prior to the forthcoming Annual General Meeting.

THE MANAGEMENT ENGAGEMENT COMMITTEE

The Committee consists of all of the independent Directors and William Thomson chairs the Committee as it is felt that he has the skills to do so. 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 together with the gross exposure to CFDs 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 focussed 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 2010. Having reviewed the criteria set out above, the Committee concluded that it was in the interests of shareholders that the Management and Secretarial Services Agreement should continue.

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

MANAGEMENT AGREEMENT

A Management and Secretarial Services Agreement (the "Management Agreement") dated 6 February 2006 and amended on 18 January 2011, was entered into 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 together with the gross exposure to CFDs (excluding investments in other funds managed by the Manager) payable quarterly in arrears and calculated on 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 secretarial and administration services, payable quarterly in arrears, at the current rate of £38,407 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.

FINANCIAL REPORTING

Set out on page 24 is a statement by the Directors of their responsibilities in respect of the financial statements. The Auditor has set out its reporting responsibilities within the Independent Auditor's Report on page 33.

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

INTERNAL CONTROLS

The Board is responsible for the Company's systems of internal controls and for reviewing their effectiveness. The identification, control and evaluation of risk is formulated by a series of quarterly investment performance reports, a regular 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 regular risk and controls assessment. The business risks have been analysed and recorded in a risk and internal controls report which is regularly reviewed. The Board has reviewed the need for an internal audit function. The Board has decided that the systems and procedures employed by the Manager, including its internal audit function and the work carried out by the Company's external Auditor, provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investments and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

The Audit Committee has received and reviewed the report on the effectiveness of the internal controls

Corporate Governance Statement

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

By means of the procedures set out above and in accordance with the Financial Reporting Council's "Internal Control: Revised Guidance for Directors 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 2010. This process continued to be in place up to the date of the approval of these financial statements and is expected to remain in place for the coming year.

WHISTLE-BLOWING PROCEDURE

Part of the Manager's role in ensuring the provision of a good service pursuant to the Management Agreement includes the ability for employees of Fidelity to raise concerns through a workplace concerns escalation policy (or "whistle-blowing procedure"). 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.

RESPONSIBILITY AS AN INSTITUTIONAL SHAREHOLDER

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

Further details of the Manager's Principles of Ownership and voting may be found at www.fidelity.co.uk.

SHAREHOLDERS

The Chairman is responsible for ensuring that all Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and other Directors have meetings with major shareholders to discuss strategy and governance. The Board regularly monitors the shareholder profile of the Company and liaises with the Manager and the Company's broker to canvass shareholder opinion and communicate its views to shareholders. The Board aims to provide the maximum opportunity for dialogue between the Company and shareholders. It believes that the Company's institutional shareholders have proper access to the Manager at any time and to the Board if they so wish. If any shareholder wishes to contact a member of the Board directly they should contact the Company Secretary whose details are given on pages 14 and 58. 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 54 to 56 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.

DISCLOSURE AND TRANSPARENCY RULES

Other information required to be disclosed pursuant to the Disclosure and Transparency Rules has been placed in the Directors' Report on pages 19 to 23 because it is information which refers to events that have taken place during the course of the year.

The following is a list of that information:
Directors' shareholdings
Directors and Officers' liability insurance
Substantial share interests
Share capital
Share issues
Share repurchases

On behalf of the Board

William Thomson
18 March 2011

Directors' Remuneration Report

This report has been prepared in accordance with Sections 420 – 422 of the Companies Act 2006 in respect of the year ended 31 December 2010 . An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting. The law requires the Company's Auditor to audit certain parts of the disclosures provided. Where disclosures have been audited they are indicated as such. The Auditor's opinion is included in its report on page 33.

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. 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 2011 and subsequent years.

With effect from 1 January 2010 the fee payable to the Chairman was £29,500 (2009: £28,000) and the fee payable to each of the remaining directors was £19,000 (2009: £18,000).

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 (in sterling terms) as this is the most appropriate benchmark in respect of its investment objective.

REMUNERATION OF DIRECTORS[1]

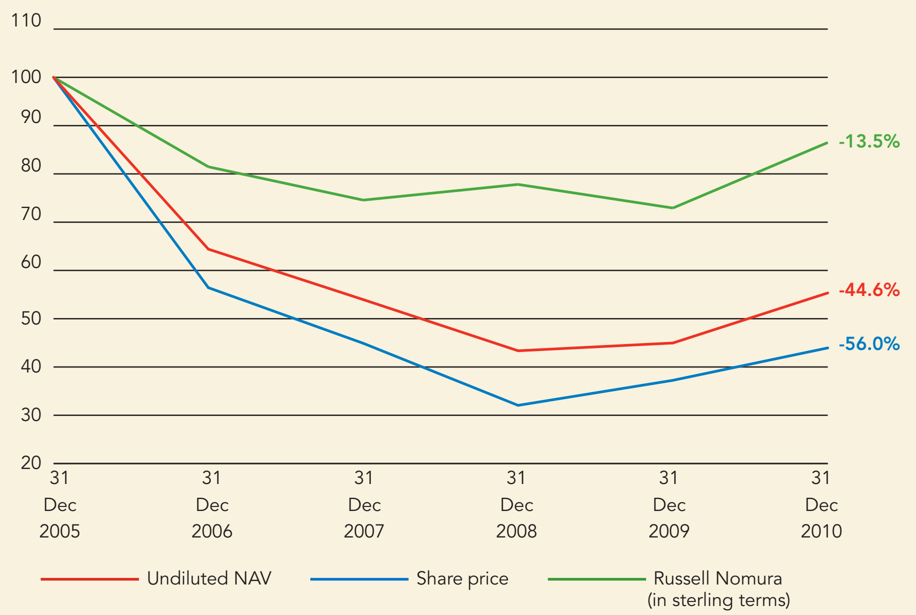
Name	2010 £'000	2009 £'000
William Thomson	29	28
Nicholas Barber	19	18
Simon Fraser	19	17
Philip Kay	19	18
Sir Laurie Magnus[2]	5	n/a
David Miller	19	18
David Robins[3]	n/a	n/a
Total	**110**	**99**

1 Audited information
2 Sir Laurie Magnus was appointed to the Board on 1 October 2010
3 David Robins was appointed to the Board on 1 February 2011

No Director received any bonus, taxable expenses, compensation for loss of office or non-cash benefits for the year ended 31 December 2010 or 31 December 2009.

Directors' Remuneration Report

Performance from 31 December 2005 to 31 December 2010 (on a total return basis)



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

On behalf of the Board

William Thomson
Chairman
18 March 2011

Financial Calendar

The key dates in the Company's calendar for the year from 31 December 2010:

31 December 2010 – financial year end

Mid March 2011 – announcement of results

April 2011 – publication of this report

Mid May 2011 – Interim Management Statement (as at 31 March 2011)

12 May 2011 – Annual General Meeting

30 June 2011 – Half-Year end

July/August 2011 – announcement of Half-Yearly results to 30 June 2011

August 2011 – publication of Half-Yearly report

Mid November 2011 – Interim Management Statement (as at 30 September 2011)

Independent Auditor's report to the members of Fidelity Japanese Values PLC

We have audited the financial statements of Fidelity Japanese Values PLC for the year ended 31 December 2010 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet and the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 24, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on pages 22 and 23, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

18 March 2011

Income Statement for the year ended 31 December 2010

	Notes	2010 revenue £'000	2010 capital £'000	2010 total £'000	2009 revenue £'000	2009 capital £'000	2009 total £'000
Gains/(losses) on investments designated at fair value through profit or loss	8	–	10,584	10,584	–	(668)	(668)
Net gains on derivative instruments held at fair value through profit or loss	9	–	1,562	1,562	–	1,694	1,694
Income	2	1,088	–	1,088	926	–	926
Investment management fee	3	(760)	–	(760)	(682)	–	(682)
Other expenses	4	(458)	–	(458)	(639)	–	(639)
Exchange (losses)/gains on other net assets	13	(24)	466	442	2	(1,419)	(1,417)
Exchange gains on loans		–	–	–	–	2,980	2,980
Net (loss)/return before finance costs and taxation		(154)	12,612	12,458	(393)	2,587	2,194
Finance costs	5	(75)	–	(75)	(239)	–	(239)
Net (loss)/return on ordinary activities before taxation		(229)	12,612	12,383	(632)	2,587	1,955
Taxation on (loss)/return on ordinary activities	6	(58)	–	(58)	(64)	–	(64)
Net (loss)/return on ordinary activities after taxation for the year		(287)	12,612	12,325	(696)	2,587	1,891
(Loss)/return per ordinary share	7	(0.30p)	13.19p	12.89p	(0.73p)	2.71p	1.98p

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 38 to 50 form an integral part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2010

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Opening shareholders' funds: 1 January 2009		23,894	44	2,437	58,911	(21,620)	(12,453)	51,213
Net recognised capital gains for the year		–	–	–	–	2,587	–	2,587
Bonus issue of subscription shares		956	–	–	(956)	–	–	–
Net revenue loss after taxation for the year		–	–	–	–	–	(696)	(696)
Closing shareholders' funds: 31 December 2009		24,850	44	2,437	57,955	(19,033)	(13,149)	53,104
Net recognised capital gains for the year	13	–	–	–	–	12,612	–	12,612
Exercise of rights attached to subscription shares and conversion into ordinary shares	12, 13	(5)	5	–	–	–	–	–
Issue of ordinary shares on exercise of rights attached to subscription shares	12, 13	27	32	–	–	–	–	59
Net revenue loss after taxation for the year	13	–	–	–	–	–	(287)	(287)
Closing shareholders' funds: 31 December 2010		24,872	81	2,437	57,955	(6,421)	(13,436)	65,488

The Notes on pages 38 to 50 form an integral part of these financial statements.

Balance Sheet as at 31 December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Investments designated at fair value through profit or loss	8	62,564	49,743
Current assets			
Derivative assets held at fair value through profit or loss	9	2,339	1,692
Debtors	10	191	926
Cash at bank		1,237	2,403
		3,767	5,021
Creditors			
Derivative liabilities held at fair value through profit or loss	9	(363)	(101)
Other creditors	11	(480)	(1,559)
		(843)	(1,660)
Net current assets		2,924	3,361
Total net assets		65,488	53,104
Capital and reserves			
Share capital	12	24,872	24,850
Share premium account	13	81	44
Capital redemption reserve	13	2,437	2,437
Other reserve	13	57,955	57,955
Capital reserve	13	(6,421)	(19,033)
Revenue reserve	13	(13,436)	(13,149)
Total equity shareholders' funds		65,488	53,104
Net asset value per ordinary share			
Undiluted	14	68.44p	55.56p
Diluted	14	66.21p	55.47p

The financial statements on pages 34 to 50 were approved by the Board of Directors on 18 March 2011 and were signed on its behalf by:

William Thomson
Chairman

The Notes on pages 38 to 50 form an integral part of these financial statements.

Cash Flow Statement for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Operating activities			
Investment income received		780	906
CFD dividends received		238	–
Investment management fee paid		(733)	(696)
Directors' fees paid		(104)	(94)
Other cash payments		(405)	(489)
Net cash outflow from operating activities	15	(224)	(373)
Servicing of finance			
Interest paid on CFDs and bank loans		(80)	(273)
Net cash outflow from servicing of finance		(80)	(273)
Financial investment			
Purchase of investments		(76,205)	(90,680)
Disposal of investments		74,025	106,195
Net cash (outflow)/inflow from financial investment		(2,180)	15,515
Derivative activities			
Proceeds of long CFD positions closed		1,176	103
Net cash inflow from derivative activities		1,176	103
Net cash (outflow)/inflow before financing		(1,308)	14,972
Financing			
Exercise of rights attached to subscription shares		58	–
1.565% fixed rate unsecured loan repaid		–	(9,475)
1.34% fixed rate unsecured loan repaid		–	(11,497)
Cash collateral held with lender		–	7,045
Net cash inflow/(outflow) from financing		58	(13,927)
(Decrease)/increase in cash	16	(1,250)	1,045

The Notes on pages 38 to 50 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 issued in January 2009.

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. Overseas dividend income includes withholding tax deducted at source. Interest receivable on short term deposits is dealt with on an accruals basis. Where the Company has elected to receive its dividends in the form of additional shares rather than cash foregone, the amount of the cash dividend foregone is recognised as revenue. 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 taxation asset is recognised when it is more likely than not that the asset will be recoverable.

f) Foreign currency

The Directors, having regard to the currency of the Company's share capital and the predominant currency in which its investors operate, have determined the functional currency to be 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. All capital gains and losses, including exchange differences on the translation of foreign currency assets and liabilities, are dealt with in capital reserve.

g) Valuation of investments

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 on that basis to the Company's Board of Directors and 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, and subsequently measured, at fair value, which is measured as follows:

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

In accordance with the AIC SORP, the Company includes transaction costs, incidental to the purchase or sale of investments, within gains/(losses) on investments and has disclosed them in Note 8 on page 42.

h) Derivative instruments	Following the repayment of the loans in the prior year, the Company has obtained equivalent exposure to Japanese equities through the use of long CFDs. The gearing level is monitored and reviewed by the Board on an ongoing basis.

CFDs are measured at fair value which is the difference between the settlement price and the value, calculated in accordance with policy 1(g), of the underlying shares in the contract.

All gains and losses in the fair value of the CFDs are included in "net gains on derivative instruments held at fair value through profit or loss" in the capital column of the Income Statement.

Income received from dividends on the long CFDs is included in the "Income" balance in the revenue column of the Income Statement and the finance costs of these contracts is included in "Finance costs" in the revenue column of the Income Statement.

j) Capital reserve

The following are accounted for in capital reserve:

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

As a result of technical guidance by the Institute of Chartered Accountants in England and Wales in TECH 02/10: Distributable Profits, changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms at the balance sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as "capital reserve" in the Reconciliation of Movements in Shareholders' Funds and the Balance Sheet. At the balance sheet date all investments held by the Company were listed on a recognised stock exchange and were considered to be readily convertible to cash.

2. INCOME

	2010 £'000	2009 £'000
Income from investments designated at fair value through profit or loss		
Overseas dividends	838	920
Income from derivatives held at fair value through profit or loss		
Dividends on long CFDs	250	6
Total income	1,088	926

3. INVESTMENT MANAGEMENT FEE

	2010 £'000	2009 £'000
Investment management fee	760	682

A summary of the terms of the Management Agreement is given in the Corporate Governance Statement on page 29.

Notes to the Financial Statements

4. OTHER EXPENSES

	2010 £'000	2009 £'000
AIC fees	6	6
Custody fees	11	9
Directors' expenses	61	45
Directors' fees*	110	99
Legal and professional fees	43	25
Marketing expenses	70	67
Printing and publication expenses	65	56
Registrars' fees	27	18
Other expenses	45	69
Costs associated with bonus issue of subscription shares	–	225
Fees payable to the Company's Auditor for the audit of the annual financial statements	20	20
	458	639

*Details of the breakdown of Directors' fees are provided on page 31 within the Directors' Remuneration Report.

5. FINANCE COSTS

	2010 £'000	2009 £'000
Interest on long CFDs	75	8
Interest on fixed rate unsecured loans*	–	231
	75	239

*The fixed rate unsecured loans from The Royal Bank of Scotland PLC were repaid on 13 August 2009 and 25 November 2009.

	2010 revenue £'000	2010 capital £'000	2010 total £'000	2009 revenue £'000	2009 capital £'000	2009 total £'000
6. TAXATION ON (LOSS)/RETURN ON ORDINARY ACTIVITIES						
a) Analysis of charge in the year						
Overseas taxation suffered (see Note 6b)	58	–	58	64	–	64

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% (2009: 28%).

The differences are explained below.

	2010 revenue £'000	2010 capital £'000	2010 total £'000	2009 revenue £'000	2009 capital £'000	2009 total £'000
Net (loss)/return on ordinary activities before taxation	(229)	12,612	12,383	(632)	2,587	1,955
Net (loss)/return on ordinary activities multiplied by the standard rate of corporation tax of 28% (2009: 28%)	(64)	3,531	3,467	(177)	724	547
Effects of:						
Gains on investments not taxable*	–	(3,531)	(3,531)	–	(724)	(724)
Excess expenses for the year	299	–	299	292	–	292
Income not included for taxation purposes	(235)	–	(235)	(114)	–	(114)
Expenses not deductible for taxation purposes	–	–	–	(1)	–	(1)
Overseas taxation	58	–	58	64	–	64
Current taxation charge (Note 6a)	58	–	58	64	–	64

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

c) Deferred taxation

A deferred taxation asset of £3,895,000 in respect of unutilised expenses at 31 December 2010 (2009: £3,597,000) has not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

	2010 revenue	2010 capital	2010 total	2009 revenue	2009 capital	2009 total
7. (LOSS)/RETURN PER ORDINARY SHARE						
Undiluted	(0.30p)	13.19p	12.89p	(0.73p)	2.71p	1.98p

Undiluted (losses)/returns per ordinary share are based on the revenue loss on ordinary activities after taxation in the year of £287,000 (2009: £696,000), the capital return in the year of £12,612,000 (2009: £2,587,000) and the total return in the year of £12,325,000 (2009: £1,891,000) and on 95,653,233 ordinary shares (2009: 95,577,453) being the weighted average number of ordinary shares in issue during the year.

There are no diluted (losses)/returns per ordinary share in the year (2009: none) because the average ordinary share price for the year was below the exercise price of the rights attaching to the subscription shares.

Notes to the Financial Statements

	2010 £'000	2009 £'000
8. INVESTMENTS		
Investments designated at fair value through profit or loss		
Listed overseas	62,564	49,743
Total listed investments	62,564	49,743

	2010 listed overseas £'000
Opening book cost	47,707
Opening investment holding gains	2,036
Opening fair value of investments	49,743
Movements in the year	
Purchases at cost	75,310
Sales - proceeds	(73,073)
Sales - gains in the year	5,402
Movement in investment holding gains in the year	5,182
Closing fair value of investments	62,564
Closing book cost	55,346
Closing investment holding gains	7,218
Closing fair value of investments	62,564

	2010 £'000	2009 £'000
Net gains/(losses) on investments designated at fair value through profit or loss		
Gains on sales of investments	5,402	6,486
Investment holding gains/(losses)	5,182	(7,154)
	10,584	(668)

The portfolio turnover rate for the year was 93% (2009: 134%).

Gains/(losses) on investments are shown net of investment transaction costs as summarised below:

	2010 £'000	2009 £'000
Purchases expenses	79	118
Sales expenses	76	114
	155	232

9. DERIVATIVE INSTRUMENTS

	2010 £'000	2009 £'000
Net gains on derivative instruments held at fair value through profit or loss in the year		
Gains on long CFD positions closed	1,177	103
Movement in investment holding gains on long CFDs	385	1,591
	1,562	1,694

	2010 fair value £'000	2010 exposure £'000	2009 fair value £'000	2009 exposure £,000
Long CFDs - assets	2,339	12,344	1,692	15,016
Long CFDs - liabilities	(363)	4,282	(101)	3,246
	1,976	16,626	1,591	18,262

10. DEBTORS

	2010 £'000	2009 £'000
Securities sold for future settlement	119	883
Amount receivable on ordinary shares issued	1	–
Accrued income	27	27
Other debtors	44	16
	191	926

11. CREDITORS

	2010 £'000	2009 £'000
Securities purchased for future settlement	70	1,159
Interest payable on long CFDs	2	8
Other creditors	408	392
	480	1,559

Notes to the Financial Statements

12. SHARE CAPITAL	2010 £'000	2009 £'000
Issued, allotted and fully paid:		
Ordinary shares		
Beginning of year		
95,577,453 (2009: 95,577,453) ordinary shares of 25 pence each	23,894	23,894
1 January to 31 December 2010: issue of 107,067 ordinary shares of 25 pence each on the conversion of the rights attaching to the subscription shares (2009: nil)	27	–
End of year		
95,684,520 (2009: 95,577,453) ordinary shares of 25 pence each	23,921	23,894
Subscription shares*		
Beginning of year		
19,115,381 (2009: nil) subscription shares of 5 pence each	956	–
1 January to 31 December 2010: nil subscription shares of 5 pence each issued (2009: 19,115,381)	–	956
1 January to 31 December 2010: exercise of rights attached to 107,067 subscription shares of 5 pence each and conversion into ordinary shares of 25 pence each (2009: nil)	(5)	–
End of year		
19,008,314 (2009: 19,115,381) subscription shares of 5 pence each	951	956
Total share capital	24,872	24,850

* The subscription shares were issued as a bonus issue to ordinary shareholders on 11 November 2009 on the basis of one subscription share for every five ordinary shares held. Each subscription share gives the holder the right, but not the obligation, to subscribe for one ordinary share upon payment of the subscription price of 55 pence per subscription share on the last business day of each month commencing in February 2010 and finishing on the last business day in February 2013, after which the subscription share will lapse if it is determined by a duly appointed trustee for the subscription shareholders that the net proceeds of sale after costs, fees and expenses are lower than the costs of exercising the rights attaching to the said subscription shares.

13. RESERVES

	share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000
Beginning of year	44	2,437	57,955	(19,033)	(13,149)
Exchange gains on other net assets	–	–	–	466	–
Net gains on investments for the year	–	–	–	10,584	–
Net gains on derivative instruments for the year	–	–	–	1,562	–
Exercise of rights attached to subscription shares and conversion into ordinary shares	5	–	–	–	–
Issue of ordinary shares on exercise of rights attached to subscription shares	32	–	–	–	–
Net revenue loss after taxation for the year	–	–	–	–	(287)
End of year	81	2,437	57,955	(6,421)	(13,436)

14. NET ASSET VALUE PER ORDINARY SHARE

The undiluted net asset value per ordinary share is based on net assets of £65,488,000 (2009: £53,104,000) and on 95,684,520 (2009: 95,577,453) ordinary shares, being the number of ordinary shares in issue at the year end.

The diluted net asset value has been calculated on the assumption that the rights attaching to the outstanding subscription shares of 19,008,314 at 31 December 2010 (2009: 19,115,381) were exercised on that date. This basis of calculation is in accordance with guidelines laid down by the Association of Investment Companies and details of the exercises are provided to the London Stock Exchange on a daily basis.

15. RECONCILIATION OF NET RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2010 £'000	2009 £'000
Net return before finance costs and taxation	12,458	2,194
Capital return for the year	(12,612)	(2,587)
Net revenue loss before finance costs and taxation	(154)	(393)
(Increase)/decrease in other debtors	(28)	38
Increase in other creditors	16	46
Overseas taxation suffered	(58)	(64)
Net cash outflow from operating activities	(224)	(373)

16. RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET FUNDS/(DEBT)

	2010 £'000	2009 £'000
Net funds/(debt) at beginning of year	2,403	(21,651)
Net cash (outflow)/inflow	(1,250)	1,045
1.565% fixed rate unsecured loan repaid	–	9,475
1.34% fixed rate unsecured loan repaid	–	11,497
Unrealised foreign exchange movement on other net assets	84	(943)
Foreign exchange movement on fixed rate unsecured loans	–	2,980
Change in net (debt)/funds	(1,166)	24,054
Net funds at end of year	1,237	2,403

	2010 £'000	cash flows £'000	exchange movements £'000	2009 £'000
Analysis of balances				
Cash at bank	1,237	(1,250)	84	2,403
End of year	1,237	(1,250)	84	2,403

17. FINANCIAL INSTRUMENTS

MANAGEMENT OF RISK

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
- Derivative instruments which comprise long CFDs

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

Market price risk

Other price risk

Other price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Board meets 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 Manager is responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk/reward profile. Other price risks arising from long CFD positions, mainly to do with the underlying exposures, are estimated using Value at Risk and Stress Tests.

Interest rate risk

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

Interest rate risk profile of financial assets and liabilities

The Company is exposed to cash flow interest rate risk on the gross exposure of the long CFDs and cash at bank. The total exposure of the long CFDs is shown in Note 9 on page 43 and cash at bank are shown in the Balance Sheet on page 36.

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
- 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 or other currencies by the use of derivative instruments. Derivative instruments have been used for gearing rather than hedging purposes.

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.

Notes to the Financial Statements

Currency exposure of financial assets

The Company's financial assets comprise equity investments, the fair value of the underlying securities within the long CFDs, short term debtors and cash. The currency cash flow profile including the long CFD exposures of these financial assets is shown below.

	2010				
	investments designated at fair value through profit or loss £'000	long CFDs exposure held at fair value through profit or loss £'000	short term debtors book value £'000	cash £'000	total £'000
Yen	62,564	16,626	167	1,172	80,529
UK sterling	–	–	24	63	87
US dollar	–	–	–	2	2
	62,564	16,626	191	1,237	80,618

	2009				
	investments designated at fair value through profit or loss £'000	long CFDs exposure held at fair value through profit or loss £'000	short term debtors book value £'000	cash £'000	total £'000
Yen	49,743	18,262	910	2,353	71,268
UK sterling	–	–	16	48	64
US dollar	–	–	–	2	2
	49,743	18,262	926	2,403	71,334

Currency exposure of financial liabilities

The Company finances its investment activities through its ordinary share capital, reserves and gearing via the use of long CFDs.

The Company's financial liabilities comprise its short term creditors and the currency cash flow profile of this is shown below:

	2010 short term creditors £'000	2009 short term creditors £'000
Yen	77	1,159
UK sterling	403	400
	480	1,559

Liquidity risk

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

Counterparty risk

All securities and derivative instruments are transacted with brokers and carry the risk that the counterparty to a transaction may not meet its financial obligations. All counterparties for any type of trading are assessed by an independent Credit Research and Analysis function and approved for use by any Fidelity managed company. Exposures to counterparties are monitored and reported frequently. Margin on exchange-traded derivatives mitigates counterparty risk exposure in accordance with the terms outlined in market standard (ISDA) derivative legal contracts.

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, outstanding securities transactions and the CFDs at fair value.

Derivative Instruments

The risks and risk management processes which result from the use of derivative instruments, are set out in a documented "Derivative Risk Measurement and Management Document", details of which can be seen in the other risk categories disclosed on pages 47 to 49.

Derivative instruments are used by the Manager to gain unfunded long exposure to equity markets, sectors or single stocks. "Unfunded" exposure is exposure gained without an initial outflow of capital.

The risk and performance contribution of these instruments to the Company's portfolio is overseen by a specialist derivative instruments team which draws on over forty years of specialist experience in derivative risk management. This team draws upon sophisticated portfolio risk assessment tools to advise the Manager on portfolio construction.

Risk sensitivity analysis

Other price risk sensitivity analysis

Changes in market prices other than those arising from interest rate risk or foreign currency risk may also affect the value of the Company's net assets. Details of how the Board sets risk parameters and performance objectives can be found on pages 18 and 19 of the Directors' Report.

An increase of 10% in the fair value of the investments, excluding derivatives, at 31 December 2010 would have increased total net assets and total return on ordinary activities by £6,256,000 (2009: £4,974,000). A decrease of 10% would have had an equal but opposite effect. The analysis for 2009 is performed on the same basis.

Interest rate risk sensitivity analysis

At 31 December 2010, if interest rates had increased by 0.5% the total return on ordinary activities would have decreased by £67,000 (2009: £71,000). A decrease in the interest rates by 0.5% would have had an equal but opposite effect. The analysis for 2009 is performed on the same basis.

Foreign currency risk sensitivity analysis

At 31 December 2010, if sterling had strengthened by 10% against 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 £7,314,000 (2009: 6,347,000). A 10% weakening of sterling against the yen, with all other variables held constant, would have increased total net assets and total return on ordinary activities by £8,939,000 (2009: £7,790,000).

Derivative instruments exposure sensitivity analysis

Equity derivatives

The Company invests in long CFDs to gain exposure to the equity markets. A 10% fall in the price of shares underlying the CFDs at 31 December 2010 would have resulted in a decrease of £1,663,000 (2009: £1,826,000) in the Company's total net asset value. A rise of 10% would have had an equal but opposite effect. The analysis for 2009 is performed on the same basis.

Fair value of financial assets and liabilities

As explained in Note 1(g) on page 38 investments are shown at fair value which is bid or last market price. Financial assets and liabilities are stated in the balance sheet at values which are not materially different to their fair values. In the case of cash, book value approximates to fair value due to the short maturity of the instruments.

Notes to the Financial Statements

Fair value hierachy

FRS29 requires financial companies to disclose the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values.

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

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

The valuation techniques used by the Company are explained in the Accounting Policies Note 1(g) on page 38. All investments held by the Company as at 31 December 2010 are considered to fall within Level 1 with the exception of £1,976,000 (2009: £1,591,000) of long CFDs which fall within Level 2.

Capital management

The Company does not have any externally imposed capital requirements. The capital of the Company comprises its gearing which is managed via the use of long CFDs, capital and reserves and is disclosed in the Balance Sheet on page 36 and is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on pages 16 and 17 of the Directors' Report. The principal risks and their management are disclosed on pages 18 and 19 and in this note.

18. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 31 December 2010 (2009: 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 page 20.

Full Portfolio Listing as at 31 December 2010

Investments (including derivatives)	Exposure £'000	Fair Value[1] £'000	Total Exposure %[2]
Takata (CFD)	2,630	558	3.3
Sekisui Chemical (CFD)	2,549	308	3.2
M3 (CFD)	2,493	740	3.1
Kakaku.com (CFD)	1,970	565	2.5
FP (CFD)	1,931	126	2.4
NPC	1,525	1,525	1.9
Toyota Boshoku	1,475	1,475	1.8
LEC	1,414	1,414	1.8
Mitsumi Electric	1,404	1,404	1.7
Bit-Isle	1,356	1,356	1.7
Akebono Brake Industry	1,348	1,348	1.7
Daikokutenbussan	1,346	1,346	1.7
Megachips	1,338	1,338	1.7
Mitsui Chemicals	1,304	1,304	1.6
Works Application	1,221	1,221	1.5
Kureha	1,191	1,191	1.5
Nifco	1,157	1,157	1.4
Osaka Titanium Technologies	1,129	1,129	1.4
Tokyo Rope MFG	1,084	1,084	1.4
Sanden	1,045	1,045	1.3
Fast Retailing (CFD)	1,043	(160)	1.3
Hitachi Metals	979	979	1.2
Sumitomo Rubber (CFD)	977	(23)	1.2
Nidec	966	966	1.2
Aisin Seiki	963	963	1.2
Terumo	859	859	1.1
Sumitomo Corporation	853	853	1.1
Daiwa House Industry	843	843	1.1
TDK	837	837	1.0
CyberAgent	830	830	1.0
Bank of Yokohama	825	825	1.0
JP Holdings	821	821	1.0
Hitachi Transport System	820	820	1.0
Murata Manufacturing	817	817	1.0
SMC	813	813	1.0
Toppan Forms	810	810	1.0
Sumitomo Trust & Banking	798	798	1.0
Toray Industries	794	794	1.0
Chiba Bank	787	787	1.0
Sanyo Denki	785	785	1.0
Daicel Chemical (CFD)	783	(46)	1.0

Full Portfolio Listing as at 31 December 2010

Investments (including derivatives)	Exposure £'000	Fair Value £'000[1]	Total Exposure %[2]
Sumitomo Mitsui (CFD)	782	(69)	1.0
Daihen	776	776	1.0
NTT Urban Development (CFD)	771	42	1.0
Fanuc	768	768	1.0
Rakuten	767	767	1.0
Sony Financial Holdings	756	756	0.9
Otsuka	753	753	0.9
Sumitomo Realty & Development	751	751	0.9
Nichicon	748	748	0.9
Kubota	742	742	0.9
Asahi Glass (CFD)	697	(65)	0.9
Nisshin OilliO Group	681	681	0.8
Nippon Synthetic Chemical Industry	649	649	0.8
ULVAC	642	642	0.8
Maruwa Ceramic	634	634	0.8
Nomura Holdings	631	631	0.8
Disco	614	614	0.8
Exedy	614	614	0.8
Itochu	608	608	0.8
Sumitomo Realty Estate Sales	587	587	0.7
Toyo Kohan	582	582	0.7
ORIX	581	581	0.7
Medical Net Communications	571	571	0.7
Ahresty	560	560	0.7
Cookpad	545	545	0.7
Taiyo Yuden	538	538	0.7
Calsonic Kansei	534	534	0.7
MonotaRO	534	534	0.7
GMO Payment Gateway	532	532	0.7
Futaba Industrial	524	524	0.7
Next	518	518	0.6
Nissin Electric	490	490	0.6
Hisaka Works	463	463	0.6
THK	463	463	0.6
Tokai Carbon	454	454	0.6
Kuraray	449	449	0.6
Meiko Electronics	448	448	0.6
V Technology	425	425	0.5
Makita	420	420	0.5
Daiseki	418	418	0.5
Tsubakimoto Chain	403	403	0.5

Full Portfolio Listing as at 31 December 2010

Investments (including derivatives)	Exposure £'000	Fair Value £'000[1]	Total Exposure %[2]
Ushio	399	399	0.5
JSP	398	398	0.5
Dwango	397	397	0.5
Hodogaya Chemical	397	397	0.5
Lintec	393	393	0.5
Asahi Diamond Industrial	389	389	0.5
Yushin Precision Equipment	386	386	0.5
NGK Spark Plug	384	384	0.5
Zeon	382	382	0.5
Toshiba Plant Systems & Services	378	378	0.5
Yonekyu	362	362	0.5
Harmonic Drive Systems	354	354	0.4
Arakawa Chemical Industry	305	305	0.4
BALS	250	250	0.2
Renesas Electronics	240	240	0.2
Daiichi Kigenso Kagaku Kogyo	134	134	0.1
Nippon Seisen	123	123	0.1
Anicom Holdings	105	105	0.1
Data Horizon	78	78	0.1
Total investments (including derivatives)	**79,190**	**64,540**	**98.8**
Cash and other net current assets	**948**	**948**	**1.2**
	80,138	**65,488**	**100.0**

1 Fair Value represents the carrying value in the Balance Sheet on page 36
2 Based on total exposure which is the fixed asset investments plus the exposure of the underlying securities within the CFDs

GEARING

	2010 £'000	2009 £'000
Investments at fair value through profit or loss	62,564	49,743
Long CFDs exposure	16,626	18,262
Total portfolio exposure	79,190	68,005
Cash and other net assets	948	1,770
Total exposure	80,138	69,775
Long CFDs	(14,650)	(16,671)
Total net assets	65,488	53,104
Implied gearing	22.4%	31.4%

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 12 May 2011 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 2010.

2. To re-elect Mr Simon Fraser as a Director.

3. To re-elect Mr William Thomson as a Director.

4. To re-elect Mr Nicholas Barber as a Director.

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

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

7. To elect Sir Laurie Magnus as a Director.

8. To elect Mr David Robins as a Director.

9. To approve the Directors' Remuneration Report for the year ended 31 December 2010.

10. 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.

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

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions of which Resolution 12 will be proposed as an ordinary resolution and Resolutions 13 and 14 as special resolutions:

Resolutions 12 and 13 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 18 March 2011. 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.

12. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company ("equity securities") up to an aggregate nominal amount of £1,216,200 (approximately 5% of the aggregate nominal amount of the issued ordinary share capital of the Company as at 18 March 2011) such authority to expire at the conclusion of the next Annual General Meeting of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require equity securities to be allotted after such expiry as if the authority conferred by this resolution had not expired.

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

    a) to the allotment of equity securities in connection with a rights issue in favour of all holders of a class of relevant equity securities where the equity securities attributable respectively to the interests of all holders of securities of such class are either proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements 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);

    b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £1,216,200 (approximately 5 per cent of the aggregate nominal amount of the issued share capital of the Company as at 18 March 2011); 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 14 is a special resolution which, if approved, will renew the Company's authority to purchase its ordinary shares and subscription shares for cancellation. The limit set by the Board is 14.99% respectively of the number of ordinary shares and subscription shares in issue on 18 March 2011. 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.

14. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 25p each in the capital of the Company (the "ordinary shares") and of subscription shares of 5 pence each (the "subscription shares") provided that:

a) the maximum number of shares hereby authorised to be purchased shall be 14,584,750 ordinary shares and 2,607,500 subscription shares;

b) the minimum price which may be paid for an ordinary share is 25p and the minimum price which may be paid for a subscription share is 5p;

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

d) the maximum price payable for a subscription share will not exceed the higher of (i) 5% above the average of the middle market quotations (as derived from the Official List) for the five consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made and (ii) the higher of the price quoted for (a) the last independent trade of, or (b) the highest current independent bid for, any number of subscription shares on the trading venue where the purchase is carried out;

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

f) the Company may make a contract to purchase ordinary or subscription 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
4 April 2011

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 10 May 2011. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if they so wish.

3. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrars, Capita 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. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 12 noon on 10 May 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrars no later than 12 noon on 10 May 2011.

6. All members are entitled to attend and vote at the Annual General Meeting and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at 12 noon on 10 May 2011.

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

Notice of Meeting

8. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial 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.

9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes they may cast), members must be entered on the Register of Members by 6.00pm on 10 May 2011. 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.

10. As at 18 March 2011 (the latest practicable date prior to the publication of this document) the Company's issued ordinary share capital consisted of 97,297,029 ordinary shares carrying one vote each and 17,395,805 subscription shares without voting rights. Therefore, the total number of voting rights in the Company as at 18 March 2011 was 97,297,029.

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

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

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

14. Under Section 338 and Section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in such business. A resolution may properly be moved or a matter may properly be included in the business of the meeting unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business of the meeting, must be authorised by the person or persons making it, must be received by the Company not later than 28 March 2011 being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business of the meeting only) must be accompanied by a statement setting out the grounds for the request.

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

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

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.

The maximum investment in a stocks and shares ISA is £10,200 for the 2010/2011 tax year and for 2011/2012 the new allowance is £10,680. The full amount may be invested in a Stocks and Shares ISA, or you can invest up to half the ISA allowance in a Cash ISA and the balance in a Stocks and Shares ISA. The minimum investment per fund in the Fidelity ISA is £1,000 as a lump sum, £250 as a top-up, or £50 a month per company in a regular savings plan.

Charges – The standard initial charge for the Fidelity ISA is 3.5% but if you use the online application form you will pay just 1.25% initial charge. 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 1.00%, as set out in the Annual Report.

MOVING MONEY FROM PREVIOUS ISAS

If you have opened ISAs with other investment companies, you can move them into the Fidelity ISA and invest in Fidelity Japanese Values PLC without losing any tax benefits. This is known as an ISA transfer and it can be a 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 stock market so you may miss out on any growth during this time.

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

The annual management charge is as described above in the "Investing inside 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.

Holding shares within the Share Plan 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.

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%.

BENEFICIAL OWNERS OF SHARES – INFORMATION RIGHTS

Registered shareholders of fully listed companies are able to nominate the underlying beneficial owners of their shares to receive information rights. You should contact your registered shareholder direct to request to receive 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

Whilst you cannot use a Debit Card online to buy an ISA or Share Plan the application forms you need are all available via www.fidelity.co.uk/its. You can also invest online in Fidelity Japanese Values PLC shares via the share trading facility available via our website www.fidelity.co.uk/sharenetwork. The Share Dealing service, ShareNetwork, is provided by Xest which is the online trading division of Charles Stanley & Co Limited, a leading London stockbroker. ShareNetwork enables you to buy or sell shares in any listed company during normal London Stock Exchange trading hours – between 8am and 4.30pm 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.

Investing in Fidelity Japanese Values PLC

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

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, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone: 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open 8.30am – 5.30pm Monday to Friday) email: ssd@capitaregistrars.com

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

Fidelity Share Plan investors
Fidelity Investment Trust Share Plan, Block C, Western House, Lynchwood Business Park, Peterborough, PE2 6BP. Telephone: 0845 358 1107 (calls to this number are charged at 3.95p per minute from a BT landline dependent on the tariff. Other telephone service providers' costs may vary.)

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

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

ONLINE SHAREHOLDER SERVICES – SHARE PORTAL

Through the website of our Registrars, Capita 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.

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. Lines are open 8.30am – 5.30pm Monday to Friday). Using Capita Share Dealing Services you will also be able to deal in the shares of other companies for which Capita acts as Registrar, provided you are already a shareholder in the relevant company, and that company offers the Share Deal facility to its shareholders.

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 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 644 0381 (calls cost 10p per minute plus network extras) from the UK or +44 20 8639 3402 from overseas.

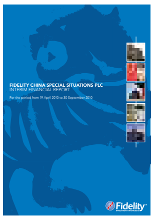
ShareGift – You may donate your shares to charity free of charge through ShareGift. Further details are available at www.sharegift.org.uk or by telephoning 020 7930 3737.

Investment Trusts range of the manager

FIDELITY ASIAN VALUES PLC

Capture Asia's long-term growth potential – from China to Korea

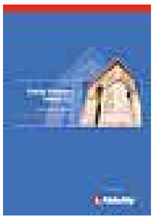
- Invests in equities primarily in South East Asia excluding Japan
- The portfolio is structured on a bottom-up basis, so stocks are selected on individual merit rather than purely by sector or market
- The manager focuses on companies with established market position



FIDELITY CHINA SPECIAL SITUATIONS PLC

Take advantage of a country rich with potential

- Invests primarily in securities issued by companies listed in China or Hong Kong and Chinese companies listed elsewhere
- Unconstrained by benchmark the manager looks for companies that are undervalued by the market
- Taking a contrarian style, the portfolio contains stocks with growth or recovery potential



FIDELITY EUROPEAN VALUES PLC

Experience the unrecognised growth potential and diversity of Europe

- Invests in shares listed on Continental Europe stock markets
- The core of the portfolio is focused on stocks able to grow earnings faster than the market in the medium term
- This trust also invests in small and emerging European markets

FIDELITY SPECIAL VALUES PLC

Bring a new dimension to your portfolio with undervalued UK Stocks

- Invests primarily in small and medium-sized UK companies
- Up to 20% can be invested in Europe and other markets
- The portfolio manager is a value investor, naturally seeking out stocks that are often unloved and unfashionable at the current time

The value of investments can go down as well as up and you may not get back the amount you originally invest. The eligibility to invest in an ISA depends on individual circumstances and all tax rules may change. Overseas investments are subject to currency fluctuations and emerging markets may be more volatile than established markets. If you're unsure about the suitability of an investment, please contact an adviser.

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 telephoning Fidelity for free on 0800 41 41 10 or FT Cityline on on 0905 817 1690, (voice activated service - calls charged at 60p per minute on a per second basis from a BT landline. Charges from other telephone networks may vary.)

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 BNP Paribas Securities Services and shares will be held in the name of Puddle Dock 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.

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

Issued by Fidelity Japanese Values PLC

WARNING TO SHAREHOLDERS – "BOILER ROOM" SCAMS

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) 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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The FSC logo identifies products which contain wood from well managed forests certified in accordance with the rules of the Forest Stewardship Council.

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