

Fidelity Japan Trust PLC

Half-Yearly report for the 6 months ended 30 June 2018



Contents

Directors' Reports

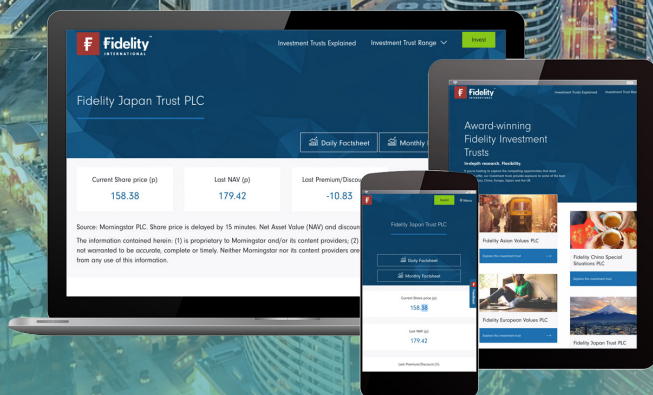
- 1 Investment Objective and Performance
- 2 Financial Summary
- 3 Performance Review
- 6 Interim Management Report
- 7 Directors' Responsibility Statement
- 8 Twenty Largest Holdings

Financial Statements

- 10 Income Statement
- 12 Statement of Changes in Equity
- 14 Balance Sheet
- 15 Notes to the Financial Statements

Information for Shareholders

- 22 Shareholder Information
- 24 Directory
- 25 Glossary of Terms
- 28 General Data Protection Regulation 'GDPR'



To find out more about Fidelity Japan Trust PLC visit our new website www.fidelityinvestmenttrusts.com where you can read articles and watch videos on the Company.

Investment Objective and Performance

The Company aims to achieve long term capital growth by investing predominantly in equities and related securities of Japanese companies.

Six months ended 30 June 2018

**Net Asset Value ("NAV")
per Ordinary Share Total
Return**

+8.3%

30 June 2017: +10.9%

**Ordinary Share Price
Total Return**

+6.8%

30 June 2017: +22.2%

**Reference Index Total
Return (in sterling terms)***

+0.5%

30 June 2017: +6.7%

As at 30 June 2018

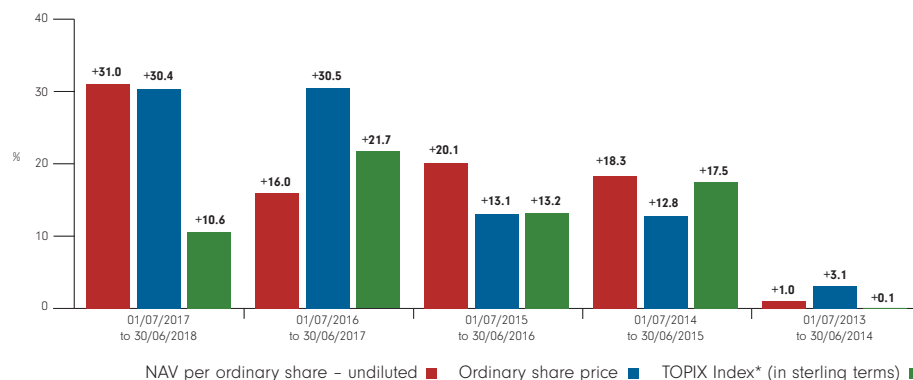
Shareholders' Funds **£241.0m**

Market Capitalisation **£219.3m**

Capital Structure:

Ordinary Shares of 25 pence each held outside Treasury **135,606,695**

Standardised Performance Total Return (%)



Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

* The Company's Reference Index changed from the Russell Nomura Mid/Small Cap Index (in sterling terms) to the TOPIX Index (in sterling terms) on 22 May 2018. Therefore, the Reference Index reported is a blend of the two for the relevant reporting periods.

Financial Summary

	30 June 2018	31 December 2017
Assets		
Total portfolio exposure ¹	£272.6m	£264.1m
Shareholders' funds	£241.0m	£222.5m
Total portfolio exposure in excess of shareholders' funds (Gearing – see Note 11 on page 21)	13.1%	18.7%
NAV per ordinary share	177.71p	164.10p
Stockmarket data		
TOPIX Index (in sterling terms)	17.4290	17.3621
Russell Nomura Mid/Small Cap Index (in sterling terms)	6.1769	6.1427
Reference Index ² (in sterling terms)	3.8933	3.8756
Yen/£ exchange rate	146.238	152.387
Ordinary share price at the period end	161.75p	151.50p
period high ³	163.5p	151.50p
period low ³	140.0p	101.50p
Discount at the period end	9.0%	7.7%
period high ³	17.1%	18.6%
period low ³	6.5%	6.2%
Results for the six months ended 30 June – see pages 10 and 11	2018	2017
Revenue return per ordinary share	0.00p	0.09p
Capital return per ordinary share	13.62p	13.17p
Total return per ordinary share	13.62p	13.26p

¹ The total exposure of the investment portfolio, including exposure to the investments underlying the long contracts for difference.

² The Company's Reference Index changed from the Russell Nomura Mid/Small Cap Index (in sterling terms) to the TOPIX Index (in sterling terms) on 22 May 2018. Therefore the Reference Index reported is a blend of the two for the relevant reporting periods.

³ The period high and low figures relate to the six months ended 30 June 2018 and for the year ended 31 December 2017.

Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

Performance Review

Performance Review

The net asset value ("NAV") of the Company increased by 8.3% in sterling terms over the six month period to 30 June 2018, significantly outperforming the Reference Index, which returned 0.5% during the same period. However, the discount to NAV widened over the same period such that the share price return was only 6.8%. Nevertheless, the Company ranked first in the Association of Investment Companies' ("AIC") Japan peer group over the six month period.

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

Company Changes

At the Annual General Meeting ("AGM") in May, shareholders voted almost unanimously, with 99.94% of proxy votes cast, in favour of the Company adopting a revised investment policy, which better reflects the Portfolio Manager's investment approach to investing across all sectors of the market.

The revised policy allows the Portfolio Manager greater flexibility to move between market capitalisation segments as opportunities arise in

the future, but with a particular emphasis on micro, small and large sized stocks. It also increases the allocation allowed in unlisted investments from 5 to 10% of gross assets to enable the Portfolio Manager to invest in companies before they are brought to the wider stock market in an Initial Public Offering ("IPO"). The Company's name has now changed to Fidelity Japan Trust PLC and it has moved to the wider AIC Japan peer group. In addition, the TOPIX Index ("Tokyo Stock Exchange TOPIX Total Return Index") was formally adopted as the Company's Reference Index.

Market review

The first six months of 2018 experienced escalating global risk factors that have impeded the Japanese equity market. Tightening financial conditions in the US, concerns over the momentum of global growth, political tensions in the Eurozone and the threat of a US-led trade war generated significant headwinds. However, increased risk aversion combined with Brexit uncertainties and weaker economic data in the UK saw the yen appreciate to ¥146 against the pound, which was positive for sterling-based returns.

Analysis of change in NAV for six months ended 30 June 2018		%
Impact of:		
Reference Index* (in yen terms)		-4.0
Reference Index* income (in yen terms)		+0.4
Gearing (in yen terms)		-0.5
Stock selection (relative to the Reference Index (in sterling terms))		+8.4
Exchange rate		+4.5
Expenses		-0.7
Cash		+0.2
Total return for the six months ended 30 June 2018		+8.3

* Prior to 22 May 2018, the Company's Reference Index was the Russell Nomura Mid/Small Cap Index (in sterling terms). Thereafter it has been the TOPIX Index (in sterling terms).

The Reference Index in the table above is a blend of the two Indices for the relevant reporting period.

Performance Review continued

Defensive domestic and small/mid cap stocks that are typically insulated from external macro risks were standout performers during the period, whereas trade-related sectors such as shipping, mining and materials, along with financials, sustained the steepest declines. The overall market's style focus has remained on growth and quality, whereas value turned even weaker.

The Japanese economy experienced negative growth for the first time in two years in the quarter ended 31 March 2018, but returned to positive growth in the second quarter thanks to a modest rebound in consumption and an acceleration in business investment and exports. Corporate earnings continued to grow despite the temporary soft patch and the stronger yen, while full-year results came in ahead of consensus forecasts.

Whilst projected guidance for the year to March 2019 is especially cautious, valuations still look relatively attractive. Moreover, Japanese companies answered calls to return surplus cash to shareholders by increasing share buybacks by more than 20% compared with the previous year.

Core holdings in services, retail and healthcare-related stocks were the key drivers of the recent outperformance versus the Reference Index (in sterling terms). Musical instrument and audio equipment maker Yamaha was the standout contributor to the outperformance of the Company. It commands a high share of the global digital piano industry due to its strong technological competitiveness. The company is also expanding in China, a relatively underpenetrated yet increasingly sophisticated market that is becoming a key earnings driver. The position in printing services company Raksul, which successfully listed on the TSE Mothers Index at the end of May, also made a substantial contribution to returns. Indeed, the value of the Company's original investment in Raksul quadrupled following the IPO, showing

the success that can be had from investing in companies at the pre IPO stage. Among services companies, staffing and media specialist Recruit Holdings continued to generate strong earnings in its HR technology business, centred on employment search engine, Indeed, and utilised acquisitions to capture new sources of growth. M3, a pioneer in internet-based medical services, also exhibited steady growth when its core medical platform business entered new healthcare-related fields through acquisitions.

Conversely, a number of holdings that contributed to the strong performance of the Company in 2017 faced a combination of profit taking and earnings headwinds. Tokyo Base, a speciality fashion retailer with a focus on domestic brands, experienced a slowdown in sales during the winter season due to an unsuccessful merchandising strategy. This led to a significant increase in markdowns and diminished margins. As valuations were relatively high, the position in Tokyo Base was recently sold. Shares in pharmaceuticals company Nippon Shinyaku fell sharply at the start of the year amid negative newsflow related to the anticipated emergence of a rival treatment for myelofibrosis. The stock had already performed well and was sold in February. Meanwhile, the underweight stance in defensive sectors such as utilities and consumer staples, which outperformed the broader market amid heightened risk aversion, constrained returns.

While there have been no significant changes to the overall weightings of the Company's holdings, the Portfolio Manager increased positions in services companies tied to secular growth trends and in globally competitive machinery-related names. For example, he identified further attractive opportunities in online recruitment and outsourcing, as well as in marketing research and funeral planning. In the machinery sector, he increased positions in companies with leading global shares in power tools and

mining equipment. Conversely, he selectively sold positions in financials and industrials where the risk/reward balance had deteriorated and near-term upside appeared limited. The Portfolio Manager also actively trimmed holdings in strong performers, including brokerage business Nihon M&A Center and cosmetics company Kose.

With valuations in certain positions reaching target prices and the outlook for the market generally becoming more uncertain, gearing was reduced from 18.7% to 13.1% over the period.

Outlook

While global economic expansion is moderating at this late stage of the cycle, growth is expected to remain relatively robust. The trend of central bank balance sheet expansion is starting to reverse, but both fiscal and monetary policy remain supportive of growth in Japan. Employment conditions are strong and the recent pickup in wage growth is promising and more supportive of Japan's move towards reflation. There have also been signs of the government gradually relaxing restrictions on foreign workers in Japan, which could create stock picking opportunities among recruitment/staffing companies and providers of services for foreign residents.

While the fiscal 2017 results season proceeded largely in line with expectations, the risk of trade frictions and a stronger yen are potential headwinds for business sentiment and earnings. Earnings momentum clearly slowed in the first quarter of 2018, but results generally look quite healthy considering the sharp appreciation in the yen that occurred. Japanese companies are also delivering higher returns on equity as a result of their efforts to reduce costs and restructure low-margin businesses, leading to better profitability. At the same time, the move towards greater capital efficiency continues and we are seeing more companies adopt proactive

shareholder return policies. While forward guidance is typically cautious (particularly among automakers and other exporters that are using conservative currency assumptions) valuations still look attractive.

By order of the Board

FIL Investments International

31 July 2018

Interim Management Report

Board Changes

As mentioned in the Annual Report for the year ended 31 December 2017, Mami Mizutori resigned as a non-executive Director of the Company on 1 February 2018 to take up a high profile position with the United Nations.

Sarah MacAulay and David Graham were appointed to the Board on 22 May 2018. They will also serve as members of the Management Engagement, Nomination and Audit Committees of the Board.

Sarah has twenty years of Asian investment experience in London and Hong Kong, managing and marketing portfolios across numerous jurisdictions. She was formerly a director of Baring Asset Management (Asia) Limited in Hong Kong and Asian investment manager at Kleinwort Benson and Eagle Star in London. She is a non-executive Director of Schroder Asian Total Return Investment Company plc, Aberdeen New Thai Investment Trust plc and JPMorgan Multi-Asset Trust plc.

David is a Chartered Accountant by training (PwC) whose career has been in investment management, firstly as a Japanese and Asian fund manager with Lazards in London, Hong Kong and Tokyo and then building businesses, establishing offices and managing client relationships across Japan, Asia Pacific, UK, Europe, Middle East and Africa for BlackRock. He is currently a non-executive Director of both Templeton Emerging Markets Investment Trust plc and JPMorgan Chinese Investment Trust plc as well as an Advisor to BlackRock in Asia Pacific.

Principal Risks and Uncertainties

The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited (the "Manager")), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key risks and uncertainties faced by the Company. These principal risks and uncertainties fall into the following categories: market risk; performance

risk; geopolitical risk; discount control risk; gearing risk; currency risk; cybercrime risk; tax and regulatory risks; and operational risks. Information on each of these risks is given in the Strategic Report section of the Annual Report for the year ended 31 December 2017 and can be found on the Company's pages of the Manager's website at www.fidelityinvestmenttrusts.com.

Share Repurchases and Treasury Shares

In the six months to 30 June 2018, no ordinary shares were repurchased for cancellation or for holding in Treasury and none have been repurchased since then and as at the date of this report.

Transactions with the Manager and Related Parties

The Manager has delegated the Company's portfolio management and company secretarial services to FIL Investments International. The transactions with the Manager and related parties with the Directors are disclosed in Note 12 to the Financial Statements on page 21.

Going Concern

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its expenditure and cash flow projections and have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing these 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 2019.

By order of the Board
FIL Investments International
31 July 2018

Directors' Responsibility Statement

The Disclosure and Transparency Rules ("DTR") of the UK Listing Authority require the Directors to confirm their responsibilities in relation to the preparation and publication of the Interim Management Report and Financial Statements.

The Directors confirm to the best of their knowledge that:

- the condensed set of Financial Statements contained within the Half-Yearly Report has been prepared in accordance with the Financial Reporting Council's Standard FRS 104: Interim Financial Reporting; and
- the Interim Management Report, together with the Portfolio Manager's Review on pages 3 to 6, include a fair review of the information required by DTR 4.2.7R and 4.2.8R.

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

The Half-Yearly Report was approved by the Board on 31 July 2018 and the above responsibility statement was signed on its behalf by David Robins, Chairman.

Twenty Largest Holdings

as at 30 June 2018

The Portfolio Exposures shown below measure the exposure to market price movements as a result of owning shares and derivative instruments. The Balance Sheet Value is the actual value of the portfolio on the Balance Sheet. Where a contract for difference ("CFD") is held, the Balance Sheet Value reflects the profit or loss on the contract since it was opened and is based on how much the price of the underlying share has moved.

	Portfolio Exposure		Balance Sheet Value
Long exposures – shares unless otherwise stated	£'000	% ¹	£'000
Makita (shares and long CFD) Manufacturer of power tools	14,922	6.2	6,765
Recruit Holdings (shares and long CFD) Provider of information services, staffing services and advertising	14,153	5.9	8,400
M3 (shares and long CFD) Provider of medical related internet services	12,972	5.4	3,870
Yamaha Musical instrument and audio equipment maker	11,244	4.7	11,244
Daikin Industries Air conditioning equipment manufacturer	10,472	4.3	10,472
Sysmex Corporation (shares and long CFD) Producer of clinical laboratory testing equipment	9,696	4.0	5,388
MISUMI Group Mail order distributor of precision machinery parts	7,672	3.2	7,672
Ryohin Keikaku Operator of the MUJI brand of general merchandise stores	7,438	3.1	7,438
Keyence (shares and long CFD) Maker of factory automation-related sensors	6,586	2.7	4,332
Asahi Intecc Development, manufacturing and sale of medical devices	6,233	2.6	6,233
Shimano Development, production and distribution of bicycle components, fishing tackle and rowing equipment	5,976	2.5	5,976
Start Today Operator of a fashion e-commerce website	5,940	2.5	5,940
Shinoken Group Provider of property management and consulting services	5,363	2.2	5,363
UT Group Manufacturer of semiconductor machinery	5,062	2.1	5,062

Long exposures – shares unless otherwise stated	Portfolio Exposure		Balance Sheet Value
	£'000	% ¹	£'000
Shimadzu Manufacturer of precision instruments, measuring instruments and medical equipment	4,922	2.0	4,922
Yume No Machi Souzou Linkai Operator and manager of a food delivery website	4,864	2.0	4,864
Kotobuki Spirits Producer of confectionery	4,648	1.9	4,648
TV Asahi Operation of a television network	4,459	1.8	4,459
Nojima Electronic equipment chain stores operator specialising in computers and communication products	4,250	1.8	4,250
Aruhi Provision and brokerage of home loans	4,244	1.8	4,244
Twenty largest long exposures	151,116	62.7	121,542
Other long exposures	121,510	50.4	118,185
Total Portfolio Exposure²	272,626	113.1	
Total Portfolio Fair Value³			239,727
Net current assets excluding derivative instruments ⁴			1,264
Shareholders' Funds (per the Balance Sheet on page 14)			240,991

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

2 Total Portfolio Exposure comprises market exposure to investments of £234,997,000 plus market exposure to long CFDs of £37,629,000.

3 Total Portfolio Fair Value comprises investments of £234,997,000 plus derivative assets of £4,760,000 less derivative liabilities of £30,000 (per the Balance Sheet on page 14).

4 Net current assets excluding derivative instruments comprise debtors of £2,923,000 plus cash at bank of £685,000 less other creditors of £2,344,000 (per the Balance Sheet on page 14).

Income Statement

	Notes	Six months ended 30 June 2018 unaudited		
		revenue £'000	capital £'000	total £'000
Gains on investments		–	14,660	14,660
Gains on derivative instruments		–	3,772	3,772
Income	4	1,675	–	1,675
Investment management fees	5	(1,150)	–	(1,150)
Other expenses		(294)	–	(294)
Foreign exchange gains/(losses)		–	32	32
Net return on ordinary activities before finance costs and taxation		231	18,464	18,695
Finance costs		(79)	–	(79)
Net return/(loss) on ordinary activities before taxation		152	18,464	18,616
Taxation on return on ordinary activities	6	(152)	–	(152)
Net return/(loss) on ordinary activities after taxation for the period		–	18,464	18,464
Return/(loss) per ordinary share	7	0.00p	13.62p	13.62p

The Company does not have any other comprehensive income. Accordingly the net return/(loss) on ordinary activities after taxation for the period is also the total comprehensive income for the period and no separate Statement of Other Comprehensive Income has been presented.

The total column of this statement represents the Income Statement of the Company. The revenue and capital columns are supplementary and presented for information purposes as recommended by the Statement of Recommended Practice issued by the AIC.

No operations were acquired or discontinued in the year and all items in the above statement derive from continuing operations.

Six months ended 30 June 2017 unaudited			Year ended 31 December 2017 audited		
revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
-	14,705	14,705	-	44,049	44,049
-	3,164	3,164	-	13,084	13,084
1,475	-	1,475	2,568	-	2,568
(943)	-	(943)	(2,016)	-	(2,016)
(229)	-	(229)	(461)	-	(461)
-	15	15	-	(304)	(304)
303	17,884	18,187	91	56,829	56,920
(57)	-	(57)	(175)	-	(175)
246	17,884	18,130	(84)	56,829	56,745
(121)	-	(121)	(211)	-	(211)
125	17,884	18,009	(295)	56,829	56,534
0.09p	13.17p	13.26p	(0.22p)	41.88p	41.66p

Statement of Changes in Equity

	share capital £'000
Six months ended 30 June 2018 (unaudited)	
Total shareholders' funds at 31 December 2017	34,041
Net return on ordinary activities after taxation for the period	-
Total shareholders' funds at 30 June 2018	34,041

Six months ended 30 June 2017 (unaudited)

Total shareholders' funds at 31 December 2016	34,041
Ordinary shares repurchased and held in Treasury	-
Net return on ordinary activities after taxation for the period	-
Total shareholders' funds at 30 June 2017	34,041

Year ended 31 December 2017 (audited)

Total shareholders' funds at 31 December 2016	34,041
Ordinary shares repurchased and held in Treasury	-
Net return/(loss) on ordinary activities after taxation for the year	-
Total shareholders' funds at 31 December 2017	34,041

share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total shareholders' funds £'000
20,722	2,767	56,474	123,197	(14,674)	222,527
-	-	-	18,464	-	18,464
20,722	2,767	56,474	141,661	(14,674)	240,991
20,722	2,767	56,886	66,368	(14,379)	166,405
-	-	(413)	-	-	(413)
-	-	-	17,884	125	18,009
20,722	2,767	56,473	84,252	(14,254)	184,001
20,722	2,767	56,886	66,368	(14,379)	166,405
-	-	(412)	-	-	(412)
-	-	-	56,829	(295)	56,534
20,722	2,767	56,474	123,197	(14,674)	222,527

Balance Sheet

as at 30 June 2018

Company number 2885584

	Notes	30.06.18 unaudited £'000	31.12.17 audited £'000	30.06.17 unaudited £'000
Fixed assets				
Investments	8	234,997	221,792	175,953
Current assets				
Derivative instruments	8	4,760	1,123	7,223
Debtors		2,923	652	683
Cash at bank		685	908	1,264
		8,368	2,683	9,170
Creditors				
Derivative instruments	8	(30)	(456)	(217)
Other creditors		(2,344)	(1,492)	(905)
		(2,374)	(1,948)	(1,122)
Net current assets				
		5,994	735	8,048
Net assets				
		240,991	222,527	184,001
Capital and reserves				
Share capital	9	34,041	34,041	34,041
Share premium account		20,722	20,722	20,722
Capital redemption reserve		2,767	2,767	2,767
Other reserve		56,474	56,474	56,473
Capital reserve		141,661	123,197	84,252
Revenue reserve		(14,674)	(14,674)	(14,254)
Total shareholders' funds				
		240,991	222,527	184,001
Net asset value per ordinary share				
	10	177.71p	164.10p	135.69p

Notes to the Financial Statements

1 Principal Activity

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

2 Publication of Non-statutory Accounts

The Financial Statements in this Half-Yearly Financial Report have not been audited by the Company's Independent Auditor and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 (the "Act"). The financial information for the year ended 31 December 2017 is extracted from the latest published Financial Statements of the Company. Those Financial Statements were delivered to the Registrar of Companies and included the Independent Auditor's Report which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Act.

3 Basis of Preparation

The Company prepares its Financial Statements on a going concern basis and in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council. The Financial Statements are also prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC"), in November 2014 and updated in January 2017 with consequential amendments. FRS 104: Interim Financial Reporting has also been applied in preparing this condensed set of Financial Statements. The accounting policies followed are consistent with those disclosed in the Company's Annual Report and Financial Statements for the year ended 31 December 2017.

Notes to the Financial Statements continued

4 Income

	Six months ended 30.06.18 unaudited £'000	Six months ended 30.06.17 unaudited £'000	Year ended 31.12.17 audited £'000
Investment income			
Overseas dividends	1,520	1,211	2,111
Derivative income			
Dividends on long CFDs	155	264	457
Total income	1,675	1,475	2,568

5 Investment Management Fees

	Six months ended 30.06.18 unaudited £'000	Six months ended 30.06.17 unaudited £'000	Year ended 31.12.17 audited £'000
Investment management fees	1,150	943	2,016

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management to FIL Investments International ("FIL"), the Investment Manager. Both companies are Fidelity group companies. During the current period, FIL charged management services fees at an annual rate of 0.85% of the value of gross assets under management. Fees are payable quarterly in arrears and are calculated on the last business day of March, June, September and December.

With effect from 1 July 2018, the Company has adopted a new fee arrangement which reduces the headline management fee from 0.85% of gross assets to 0.70% of net assets per annum, with a +/- 0.20% variation based on performance relative to the Reference Index (in sterling terms).

6 Taxation on Return on Ordinary Activities

The taxation charge of £152,000 (six months ended 30 June 2017: £121,000 and year ended 31 December 2017: £211,000) is irrecoverable overseas taxation suffered on dividend income.

7 Return/(Loss) per Ordinary Share

	Six months ended 30.06.18 unaudited pence	Six months ended 30.06.17 unaudited pence	Year ended 31.12.17 audited pence
Revenue return/(loss) per ordinary share	0.00p	0.09p	(0.22p)
Capital return per ordinary share	13.62p	13.17p	41.88p
Total return per ordinary share	13.62p	13.26p	41.66p

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

	£'000	£'000	£'000
Net revenue return/(loss) on ordinary activities after taxation for the period	-	125	(295)
Net capital return on ordinary activities after taxation for the period	18,464	17,884	56,829
Net total return on ordinary activities after taxation for the period	18,464	18,009	56,534
	number	number	number
Weighted average number of ordinary shares in issue during the period	135,606,695	135,763,601	135,684,503

Notes to the Financial Statements continued

8 Fair Value Hierarchy

The Company is required to disclose the fair value hierarchy that classifies its 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 table below sets out the Company's fair value hierarchy:

	30 June 2018 unaudited			
	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
Financial assets at fair value through profit or loss				
Investments	234,997	–	–	234,997
Derivative instrument assets	–	4,760	–	4,760
	234,997	4,760	–	239,757
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	–	(30)	–	(30)

8 Fair Value Hierarchy continued

	31 December 2017 audited			
	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
Financial assets at fair value through profit or loss				
Investments	220,886	-	906	221,792
Derivative instrument assets	-	1,123	-	1,123
	220,886	1,123	906	222,915

Financial liabilities at fair value through profit or loss

Derivative instrument liabilities	-	(456)	-	(456)
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	30 June 2017 unaudited			
	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
Financial assets at fair value through profit or loss				
Investments	175,007	-	946	175,953
Derivative instrument assets	-	7,223	-	7,223
	175,007	7,223	946	183,176

Financial liabilities at fair value through profit or loss

Derivative instrument liabilities	-	(217)	-	(217)
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Notes to the Financial Statements continued

9 Share Capital

	30 June 2018 unaudited		31 December 2017 audited		30 June 2017 unaudited	
	number of shares	£'000	number of shares	£'000	number of shares	£'000
Issued, allotted and fully paid						
Ordinary shares of 25p each held outside Treasury						
Beginning of the period	135,606,695	33,902	135,981,695	33,996	135,981,695	33,996
Ordinary shares repurchased into Treasury	-	-	(375,000)	(94)	(375,000)	(94)
End of the period	135,606,695	33,902	135,606,695	33,902	135,606,695	33,902
Ordinary shares of 25p each held in Treasury*						
Beginning of the period	555,000	139	180,000	45	180,000	45
Ordinary shares repurchased into Treasury	-	-	375,000	94	375,000	94
End of the period	555,000	139	555,000	139	555,000	139
Total share capital		34,041		34,041		34,041

* Ordinary shares held in Treasury carry no rights to vote, to receive a dividend or to participate in a winding up of the Company.

10 Net Asset Value per Ordinary Share

The net asset value per ordinary share is based on net assets of £240,991,000 (31 December 2017: £222,527,000 and 30 June 2017: £184,001,000) and on 135,606,695 (31 December 2017: 135,606,695 and 30 June 2017: 135,606,695) ordinary shares, being the number of ordinary shares in issue that are held outside Treasury at the period end. It is the Company's policy that shares held in Treasury will only be reissued at a premium to net asset value per share and, therefore, shares held in Treasury have no dilutive effect.

11 Capital Resources and Gearing

The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital and reserves, as disclosed on the Balance Sheet on page 14, and its gearing which is achieved through the use of long CFDs. Financial resources are managed in accordance with the Company's investment policy and in pursuit of its investment objective.

The Company's gearing at the end of the period is shown below:

	30 June 2018 unaudited	31 December 2017 audited	30 June 2017 unaudited
Investments	234,997	221,792	175,953
Long CFDs	37,629	42,325	51,332
Total Portfolio Exposure	272,626	264,117	227,285
Shareholders' Funds	240,991	222,527	184,001
Gearing¹	13.1%	18.7%	23.5%

¹ Gearing is the amount by which the Portfolio Exposure exceeds Shareholders' Funds expressed as a percentage of Shareholders' Funds.

12 Transactions with the Manager and Related Parties

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management and the role of company secretary to FIL Investments International ("FIL"), the Investment Manager. Both companies are Fidelity group companies. Details of the fee arrangements are given in Note 5.

During the period fees for portfolio management services of £1,150,000 (six months ended 30 June 2017: £943,000 and year ended 31 December 2017: £2,016,000) and fees for secretarial and administrative services of £24,000 (six months ended 30 June 2017: £23,000 and year ended 31 December 2017: £47,000) were payable to the Manager. At the Balance Sheet date, fees for portfolio management services of £583,000 (31 December 2017: £562,000 and 30 June 2017: £486,000) and fees for secretarial and administrative services of £12,000 (31 December 2017: £12,000 and 30 June 2017: £12,000) were accrued and included in other creditors. FIL also provides the Company with marketing services. The total amount payable for these services during the period was £51,000 (six months ended 30 June 2017: £35,000 and year ended 31 December 2017: £67,000) and at the Balance Sheet date £22,000 (31 December 2017: £6,000 and 30 June 2017: £29,000) for marketing services was accrued and included in other creditors.

As at 30 June 2018, the Board consisted of six non-executive Directors (as shown in the Directory on page 24), all of whom are considered to be independent by the Board. None of the Directors have a service contract with the Company. The Chairman receives an annual fee of £35,000, the Audit Committee Chairman an annual fee of £26,500 and each other Director an annual fee of £24,000. The following members of the Board hold ordinary shares in the Company: David Robins 37,000 shares, Philip Kay 12,094 shares and Sir Laurence Magnus 48,000 shares.

Shareholder Information

Investing in Fidelity Japan Trust PLC

Fidelity Japan Trust PLC is a company listed on the London Stock Exchange and you can buy its shares through a stockbroker, share shop, investment platform or bank. Fidelity also offers a range of options, so that you can invest in a way that is best for you. Details of how to invest can be found on Fidelity's website at **www.fidelityinvestmenttrusts.com**.

Contact Information

Shareholders and Fidelity's Platform Investors should contact the appropriate administrator using the contact details given below and in the next column. Links to the websites of major platforms can be found at **www.fidelityinvestmenttrusts.com**.

Shareholders on the main share register

Contact Link Asset Services, Registrar to Fidelity Japan Trust PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone: **0871 664 0300** (calls cost 12p per minute plus network extras. If you are outside the United Kingdom, call **+44 371 664 0300**. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 am to 5.30 pm, Monday to Friday, excluding public holidays in England and Wales).

Email: **enquiries@linkgroup.co.uk**

Details of individual shareholdings and other information can also be obtained from the Registrar's Share Portal at **www.signalshares.com**. Shareholders are able to manage their shareholding online by registering for the Share Portal, a free and secure online access service. Facilities include:

Account Enquiry – Shareholders can access their personal shareholding, including share transaction history, dividend payment history and obtain an up-to-date shareholding valuation.

Amendment of Standing Data – Shareholders can change their registered postal address and add, change or delete dividend mandate instructions. Shareholders can also download forms such as change of address, stock transfer and dividend mandates as well as buy and sell shares in the Company.

Should you have any queries in respect of the Link Share Portal, contact the helpline on **0871 664 0300** (calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call **+44 371 664 0300**. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 am to 5.30 pm, Monday to Friday excluding public holidays in England and Wales).

Link Share Dealing Service

Link Asset Services offer a low cost share dealing service to buy or sell shares. Further information is available at **www.linksharedeal.com**, or by telephoning **0371 664 0445** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 8.00 am to 4.30 pm, Monday to Friday excluding public holidays in England and Wales). The Link Share Dealing Service allows you to deal in the shares of other companies for which Link Asset Services acts as Registrar, provided you are already a shareholder in the relevant company, and that the company offers the Share Deal facility to its shareholders.

Fidelity Platform Investors

Contact Fidelity, using the freephone numbers given below, or by writing to: UK Customer Service, Fidelity International, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ. Website: www.fidelity.co.uk/its.

Private investors: call free on **0800 41 41 10**, 9.00 am to 6.00 pm, Monday to Saturday.

Financial advisers: call free on **0800 41 41 81**, 8.00 am to 6.00 pm, Monday to Friday.

General enquiries

General enquiries should be made to the 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**.

Email: investmenttrusts@fil.com

Website: www.fidelityinvestmenttrusts.com

Financial Calendar 2018/19

30 June 2018	Half-Year End
July 2018	Announcement of the Half-Yearly results
August 2018	Publication of the Half-Yearly Report
31 December 2018	Financial Year End
April 2019	Publication of the Annual Report
May 2019	Annual General Meeting

Directory

Board of Directors

David Robins (Chairman)
David Graham
Philip Kay (Senior Independent Director)
Sarah MacAulay
Sir Laurie Magnus (Audit Committee Chairman)
Dominic Ziegler

Alternative Investment Fund Manager (AIFM/Manager)

FIL Investment Services (UK) Limited
Oakhill House
130 Tonbridge Road
Hildenborough
Tonbridge
Kent
TN11 9DZ

Investment Manager, Secretary and Registered Office

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

Email: investmenttrusts@fil.com

Banker and Custodian

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

Depository

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

Financial Adviser and Stockbroker

Stifel Nicolaus Europe Limited
150 Cheapside
London
EC2V 6ET

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Lawyer

Charles Russell Speechlys LLP
5 Fleet Street
London
EC4M 7RD

Registrar

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Glossary of Terms

AIF

Alternative Investment Fund (“AIF”). The Company is an AIF.

AIFM

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

AIFMD

The Alternative Investment Fund Managers Directive (“AIFMD”) is a European Union Directive implemented on 22 July 2014.

Alternative Performance Measures

The Company has used the following Alternative Performance Measures which are all defined in this Glossary of Terms:

- Discount/Premium;
- Net Asset Value (NAV) per Share;
- Return (Revenue, Capital and Total Returns); and
- Total Return Performance.

Contract For Difference (“CFD”)

A contract for difference is a derivative. It is a contract between the Company and an investment house at the end of which the parties exchange the difference between the opening price and the closing price of the underlying asset of the specified financial instrument. It does not involve the Company buying or selling the underlying asset, only agreeing to receive or pay the movement in its share price. A contract for difference allows the Company to gain access to the movement in the share price by depositing a small amount of cash known as margin. The Company may reason that the asset price will rise, by buying (“long” position) or fall, by selling

(“short” position). If the Company trades long, dividends are received and interest is paid. If the Company trades short, dividends are paid and interest is received. The Company only uses “long” contracts for difference.

Custodian

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

Depository

An entity that oversees the custody, cash arrangements and other AIFM responsibilities of the Company. J.P. Morgan Europe Limited acts as the Company’s Depository.

Derivatives

Financial instruments (such as futures, options and contracts for difference) whose value is derived from the value of an underlying asset.

Discount

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

Fair Value

The fair value is the best estimate of the value of the investments, including the contracts for difference, at a point in time. This is measured as:

- **Listed investments** – valued at bid prices, or last market prices, where available, otherwise at published price quotations;

Glossary of Terms continued

- **Unlisted investments** – valued using an appropriate valuation technique in the absence of an active market; and
- **Contracts for difference** – valued as the difference between the settlement price of the contract and the value of the underlying shares in the contract (unrealised gains or losses).

Gearing

Gearing describes the level of the Company's exposure and is expressed as a percentage of shareholders' funds. It reflects the amount of exposure the Company uses to invest in the market. It can be obtained through the use of bank loans, bank overdrafts or **contracts for difference**, in order to increase the Company's exposure to investments. If assets rise in value, **gearing** magnifies the return to ordinary shareholders. Correspondingly, if assets fall in value, gearing magnifies that fall. **Contracts for difference** are used as a way of gaining exposure to the price movements of shares without buying the underlying shares directly.

Gearing Percentage

In a simple example, if a company has £100 million of net assets and a total portfolio of £108 million, with £8 million of borrowings (either via bank loans or long **contracts for difference**) then the **shareholders' funds** are 8% geared. Normally, the higher the **gearing percentage**, the more sensitive the Company's shares will be to movements up and down in the value of the investment portfolio.

Investment Manager

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

Manager

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

Net Asset Value (NAV)

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

Premium

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

Reference Index

TOPIX Index (in sterling terms). Prior to 22 May 2018, the Company's Reference Index was the Russell Nomura Mid/Small Cap Index (in sterling terms).

Registrar

An entity that manages the Company's shareholder **register**. The Company's **Registrar** is Link Asset Services.

Return/(Loss)

The [return/\(loss\)](#) generated in a given period from the investments:

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

Share Repurchases

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

Shareholders' Funds

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

Total Portfolio Exposure

The total of the fixed asset investments at [fair value](#) plus the [fair value](#) of the underlying securities within the [contracts for difference](#).

Total Return Performance

The return on the share price or [net asset value](#) per share taking into account the rise and fall of share prices and the dividends paid to shareholders. Any dividends received by

the shareholder are assumed to have been reinvested in additional shares (for share price total return) or the Company's assets (for [net asset value](#) total return).

Treasury Shares

Ordinary shares of the Company that have been repurchased by the Company and not cancelled but held in Treasury. These shares do not receive dividends, have no voting rights and are excluded from the [net asset value](#) per share calculation.

General Data Protection Regulation ‘GDPR’

What personal data is collected and how it is used

The Company is an investment trust which is a public limited company and, as such, has certain regulatory obligations such as the requirement to send documents to its shareholders such as the Annual Report, proxy forms and other documents that relate to meetings of the Company. The Company will therefore collect shareholders’ personal data such as names, addresses and identification numbers such as investor codes and will use this personal data to fulfil its statutory obligations.

Any personal data collected will be kept securely on computer systems and in some circumstances on paper. Personal information is kept secure in line with Fidelity’s Information Security policies and standards. If you are unhappy with how we have used your personal data, you can complain by contacting the UK Data Protection Officer at Fidelity International, Beech Gate, Millfield Lane, Surrey KT20 6RP.

Sharing personal data

In order to assist the Company in meeting its statutory requirements, the Company delegates certain duties around the processing of this data to its third party service providers, such as the Company’s Registrar and Printers. The Company has appointed Fidelity to undertake marketing activities for the Company and their privacy statement can be found on the Company website at <https://investment-trusts.fidelity.co.uk/privacy-policy/>

The Company’s agreements with the third party service providers have been updated to be compliant with GDPR requirements. The Company confirms to its shareholders that their data will not be shared with any third party for any other purpose, such as for marketing purposes. In some circumstances, it may be necessary to transfer shareholders’ personal data across national borders to Fidelity Group entities operating in the European Economic Area (“EEA”). Where this does occur, European standards of protection will be applied to the personal data that is processed. Where personal data is transferred within the Fidelity group but outside of the EEA, that data will subsequently receive the same degree of protection as it would in the EEA.

How long will personal data be kept for?

We will keep the personal data for as long as is necessary for these purposes and no longer than we are legally permitted to do so.

Requesting access, making changes to your personal data and other important information

Shareholders can access the information that the Company holds about them or ask for it to be corrected or deleted by contacting Fidelity’s UK Data Protection Officer, Fidelity International, Beech Gate, Millfield Lane, Surrey KT20 6RP.



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