Fidelity Japanese Values PLC

Annual Report

For the year ended 31 December 2013

Contents

Investment Objective and Highlights

The investment objective of the Company is to achieve long term capital growth from an actively managed portfolio of securities primarily of small and medium sized Japanese companies listed or traded on Japanese stockmarkets.

Detail of the Company's investment policy is on pages 11 and 12

Performance (year ended 31 December 2013)

Net Asset Value ("NAV") per Ordinary Share Total Return – undiluted	+31.8%
Ordinary Share Price Total Return	+39.5%
Russell Nomura Mid/Small Cap Index* (in sterling terms)	+21.7%

As at 31 December 2013

Equity Shareholders' Funds	£90.0m
Market Capitalisation	£82.0m
Capital Structure: Ordinary shares of 25p each	113,954,834

Standardised Performance – Total Return (%)

	01/01/2013 to 31/12/2013	01/01/2012 to 31/12/2012	01/01/2011 to 31/12/2011	01/01/2010 to 31/12/2010	01/01/2009 to 31/12/2009
NAV per ordinary share – undiluted	+31.8	-6.6	-6.2	+23.2	+3.7
Ordinary share price	+39.5	-1.7	-8.3	+18.0	+16.2
Russell Nomura Mid/Small Cap Index* (in sterling terms)	+21.7	-3.1	-9.3	+18.6	-6.3

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

* The Company's Benchmark Index

Financial Summary

	2013	2012	% change
Assets at 31 December			
Total portfolio exposure[1]	£105.1m	£70.2m	+49.7
Shareholders' funds[2]	£90.0m	£58.0m	+55.2
Total portfolio exposure in excess of Shareholders' funds (gearing)	16.8%	21.0%	
NAV per ordinary share – undiluted	79.02p	59.94p	+31.8
NAV per ordinary share – diluted[3]	n/a	59.19p	
Stockmarket data at 31 December			
Russell Nomura Mid/Small Cap Index (in sterling terms)	2.1562	1.7716	+21.7
Yen/£ exchange rate	174.080	140.549	-19.3
Ordinary share price at the year end	72.00p	51.63p	+39.5
year high	80.38p	55.50p	
year low	50.50p	47.88p	
Discount – undiluted at the year end	8.9%	13.9%	
year high	19.9%	16.4%	
year low	4.7%	12.8%	
Results for year to 31 December – see page 41			
Revenue loss per ordinary share	(0.30p)	(0.06p)	
Capital return/(loss) per ordinary share	20.64p	(4.24p)	
Total return/(loss) per ordinary share	20.34p	(4.30p)	
Returns for the year to 31 December			
NAV per share (undiluted) – total return[2]	+31.8%	-6.6%	
Ordinary share price – total return	+39.5%	-1.7%	
Russell Nomura Mid/Small Cap Index (in sterling terms)	+21.7%	-3.1%	
Ongoing charges for the year to 31 December[4]	1.80%	2.00%	

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

2 The change in Shareholders' funds of +55.2% is greater than the NAV per share (undiluted) total return of +31.8% because Shareholders' funds were increased by the net proceeds of the subscription share rights exercised during the year

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

4 Ongoing charges (excluding finance costs and taxation) based on average net asset values for the reporting year (prepared in accordance with methodology recommended by the Association of Investment Companies)

Chairman's Statement

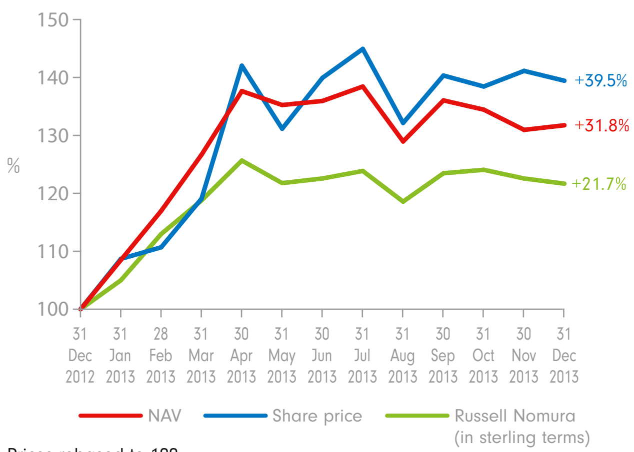
David Robins
Chairman

I have pleasure in presenting the Annual Report of Fidelity Japanese Values PLC for the year ended 31 December 2013.

PERFORMANCE REVIEW

In last year's Annual Report we commented on the landslide victory of the Liberal Democrat Party in the December 2012 elections and the appointment of Shinzo Abe as Prime Minister. Since then, Japanese stock markets have responded positively to Mr Abe's "Three Arrows" policy, aimed at rejuvenating the Japanese economy, with the Company's Benchmark, the Russell Nomura Mid/Small Cap Index, rising by 21.7%, in sterling terms, during 2013. I am pleased to report that the Company comfortably outperformed the Benchmark, with the net asset value ("NAV") per share increasing by 31.8% to 79.02 pence and the share price increasing by 39.5% to 72.00 pence. At the same time, the discount narrowed from 13.9% to 8.9%.

Performance for the year to 31 December 2013



Prices rebased to 100

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

RESULTS AND DIVIDENDS

The revenue column of the Income Statement on page 41 shows a net loss on ordinary activities after taxation for the year of £331,000 (2012: £55,000). As the revenue reserve was in deficit at 31 December 2013, the Directors do not recommend the payment of a dividend.

GEARING

The Company gears through the use of long Contracts For Difference ("CFDs"). Total portfolio exposure was £105.1m at the year end, equating to gearing of 16.8% (see page 21 for further details). Using long CFDs continues to provide more flexibility for the Company's needs at a much lower cost than traditional debt finance.

THE BOARD

The Board currently consists of five Directors who, between them, have good knowledge and wide experience of business in Japan, the Asian region generally and of investment trusts. The Board considers that lengthy service does not of itself compromise the independence or effectiveness of a Director and that experience is a positive benefit. There is, nonetheless, a recognition that refreshing the composition of the Board from time to time can be beneficial. The Company will therefore seek to recruit an additional Director during the course of 2014.

MANAGEMENT FEE ARRANGEMENTS

I am pleased to report that, with effect from 1 January 2014, the annual management fee payable by the Company has been reduced from 1.00% of gross assets to 0.85% of gross assets. This will be further reviewed later in the year in the light of the competitive environment, not only considering fees charged by other investment trusts, but also those of open ended vehicles where costs have declined significantly since the introduction of the Retail Distribution Review in January 2013.

SUBSCRIPTION SHARE ISSUE

During the year under review all the outstanding subscription shares were exercised resulting in the issue of 17,232,149 ordinary shares at a fixed price of 55 pence per share. This had the benefit of increasing the liquidity of the Company's shares and reducing the ongoing charges by spreading costs across a wider asset base but also had the impact of diluting the NAV per share return for the year.

The Company is considering a further bonus issue of subscription shares to ordinary shareholders on the basis of one subscription share for every five ordinary shares held (the "Bonus Issue"). The Board believes that, over the medium term, investment in Japan will deliver capital growth and that subscription shares represent an attractive option for shareholders to subscribe in the future for further ordinary shares in the Company. In addition, the Bonus Issue may broaden the Company's shareholder base as the subscription shares are dispersed in the market, attracting new investors and improving liquidity for shareholders.

REVISED ARTICLES OF ASSOCIATION

There have been a number of recent changes in the tax, regulatory and company law environment which affect investment trusts. The Board is therefore seeking approval at the forthcoming Annual General Meeting to adopt new Articles of Association, substantially in the form of the existing Articles of Association but updated to reflect these changes. In particular,

Chairman's Statement

the new Articles of Association have been amended: (i) to remove the prohibition on the distribution of realised capital profits; this change will help to keep our Articles in line with what is allowable under current legislation. I believe we should move with legislative changes, but stress that the Board has no intention of using this power in the immediate future and would only do so if it felt that it were in the best interests of the Company's shareholders; and (ii) to incorporate provisions to facilitate compliance with the Alternative Investment Fund Managers Directive.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

The Alternative Investment Fund Managers Directive ("AIFMD") is a European Union Directive that affects investment funds which are managed or promoted within the European Union. Under the terms of the Directive the Company is required to appoint an Alternative Investment Fund Manager ("AIFM"). Whilst the implementation date for the Directive was July 2013, the Financial Conduct Authority has permitted a transitional period of one year. The Board has reviewed the impact of the Directive on the Company's operations and has decided in principle to appoint FIL Investment Services (UK) Limited (part of Fidelity Worldwide Investments) as its AIFM, before the end of the transitional period on 22 July 2014. There will be no additional fee for this service, though there will be a small additional cost from the appointment of a depositary, in this case J.P. Morgan Europe Limited, which is also required by the Directive.

OTHER REGULATORY CHANGES

There have been a number of revisions to reporting requirements for companies with accounting periods beginning on or after 1 October 2012. These include the addition of a new Strategic Report which replaces the Business Review section of the Directors' Report, providing insight into the Company's objectives, strategy and principal risks, and enabling shareholders to assess how effective the Directors have been in promoting the success of the Company during the course of the year under review. Other changes comprise additional Audit Committee reporting requirements on the external audit process, as set out on pages 32 and 33, and changes to the structure and voting requirements in respect of the Directors' Remuneration Report which are explained in more detail on pages 34 to 37.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at midday on 14 May 2014 at Fidelity's offices at 25 Cannon Street, London EC4M 5TA (St Paul's or Mansion House tube station) and all investors are encouraged to attend. The Board is looking forward to the opportunity to speak to shareholders. The Portfolio Manager will be attending and will give a presentation on the past year and the prospects for the current year.

OUTLOOK: THE CASE FOR JAPAN REMAINS INTACT

Since the onset of Abenomics and the appointment of a new Governor of the Bank of Japan, the rate of growth in Japan's monetary base has been much faster than in the US. As this trend continues, we can expect the yen to weaken further, albeit at a more subdued rate than in 2013. The depreciation of the yen has been one of the key drivers of the rapid increase in corporate profits over the past year. Another factor that is less widely appreciated is the decline in the aggregate break even exchange rate. As the yen has appreciated over time, Japanese exporters have continually cut costs and become more efficient. While in the 1990s they broke even at around ¥130/$, by the end of 2012 they were profitable at ¥82/$. The weaker yen is undoubtedly helping Japanese companies, but their previous efforts to bring down costs and raise productivity are also providing a significant tailwind.

The patient bottom-up observer can find encouraging signs of change on the ground, but it is also important to be realistic about the likelihood of sudden transformation in Japan. It seems Prime Minister Abe may have raised expectations too high. When looking at how 2014 will differ from 2013, we believe the management of expectations is a key factor. In the opening months of his tenure, Prime Minister Abe acted as a cheerleader for Japan. In order to generate optimism, he toured the world to promote his reform agenda and explain how it would give birth to a virtuous cycle of rising asset prices and increasing confidence, leading to a stronger economy. But by raising expectations too high, he increased the scope for disappointment amongst non-Japanese investors.

In the near term, we believe the biggest risk to the current rally is policy disappointment with the 'Third Arrow', namely structural reform. Investors continue to monitor closely the progress Prime Minister Abe is making on key reform policies, including labour markets, corporate tax, agriculture, energy and corporate governance. The increase in the consumption tax from 5% to 8% which is scheduled for April 2014 is also a risk factor, but monetary policy is aggressively loose and the authorities are determined to offset any negative impact. On the external front, we expect investors will remain vigilant for signs of weaker global growth, yen appreciation and raised tensions with China.

At the time of writing, global financial markets are experiencing turbulence triggered by weaker-than-expected US macro data and instability in emerging markets. Given the pace of the rally experienced last year, a period of correction is not unexpected. However, the pick-up in the global economy appears to remain broadly on track and Japan's recovery continues to proceed steadily. Furthermore, Japan has led the world in terms of positive earnings revisions over the past year and the outlook for earnings growth continues to compare favourably with all other major regions. While risk assets are likely to remain volatile for the time being, the outlook for the Japanese economy and market remains positive.

David Robins
Chairman
26 March 2014

Manager's Review

FIL INVESTMENTS INTERNATIONAL

The Company is managed by FIL Investments International (which is authorised and regulated by the Financial Conduct Authority). FIL Investments International is part of the FIL Limited group which, as at 31 December 2013, had total assets under management exceeding £165.3 billion.

SHINJI HIGAKI

Shinji Higaki (Portfolio Manager from September 2007) also manages retail Japanese smaller companies funds and Japanese domestic institutional mandates. He joined Fidelity in 1999 as an equity research analyst. He has an MBA from the London Business School and a Bachelor of Arts from Keio University.

MARKET REVIEW

While the much anticipated rotation from bonds to equities did not quite fully unfold in 2013, a shift out of higher risk assets, particularly emerging markets, into developed markets did take place. Worries over the timing and magnitude of the US Federal Reserve's tapering of quantitative easing triggered a sell-off in emerging markets that had benefited from the ultra-loose monetary policy. Speculation about a hard landing scenario in China also fuelled panic selling in the summer. Subsequently, the Federal Reserve's decision to delay cutting back on quantitative easing in September, combined with modest cyclical improvements around the world and generally low valuations, underpinned a broad-based recovery in equities towards the end of the year.

During the year, Japan was one of the best performing markets in the world in local currency terms. The advent of Abenomics in late 2012 drove a rapid rise in Japanese stocks, with the broad based TOPIX ending the year at its highest level since August 2008. The Bank of Japan's expansionary monetary policy guided the yen lower against other currencies and boosted exporters' earnings. Meanwhile, deflation finally started to give way to inflation, with the Consumer Price Index at its highest level in five years.

Throughout the year, the inverse correlation between the yen and the Japanese equity market remained strong. The year-end market rally gained momentum as the yen depreciated to a five-year low of ¥105 against the US dollar amid speculation that the Bank of Japan would engage in further monetary easing, while stronger US economic data, including employment, increased confidence in the Federal Reserve's decision to start scaling back its asset purchase programme.

Overseas investors were active buyers of Japanese stocks, with total net purchases reaching a record high for the year. This helped to offset net selling by individuals ahead of a rise in the tax rate on capital gains and dividends in January 2014.

PERFORMANCE REVIEW

As noted in the Chairman's Statement, the Company outperformed its Benchmark during the year under review. The market environment remained favourable as liquidity in the small cap universe increased and earnings upgrades continued throughout the year.

As demonstrated in the Attribution Analysis table on page 6, the market's movement added 30.42 pence to the NAV per share, stock selection added 2.80 pence and gearing added 5.78 pence. Although the devaluation of the yen has improved the competitiveness of the Japanese economy and helped drive the re-rating of Japanese equities, it detracted 17.70 pence when converting the yen value of assets into sterling.

Manager's Review

Attribution Analysis	Year ended 31 December 2013 (pence)
NAV at 31 December 2012 (undiluted)	**59.94**
Impact of the Benchmark Index (in yen terms)	+30.42
Impact of Benchmark Index income (in yen terms)	+1.54
Impact of stock selection (relative to the Index)	+2.80
Impact of gearing	+5.78
Impact of exchange rate	-17.70
Impact of charges	-1.11
Impact of share issues	-2.77
Impact of share repurchases	+0.01
Cash/residual	+0.11
NAV at 31 December 2013 (undiluted)	**79.02**

Stock selection was particularly successful in the services sector where holdings in internet-related companies added value. Core holdings also reacted well to improving macroeconomic data such as housing starts, employment and consumer spending.

Three of the top ten contributors to performance over the year were online businesses, namely Kakaku.com, WirelessGate and M3, which are described on page 7. Both Kakaku.com and M3 are long-term holdings, which have consistently added value over time since the positions were initiated in 2007.

Other notable performers included three businesses that are well positioned to benefit from the so-called 'Third Arrow', or Prime Minister Abe's structural reform strategy. JP-Holdings is a leading operator of nursery schools in Japan which should benefit from greater female participation in the workforce. The Government's initiatives to set a favourable backdrop for companies with innovative technologies, will benefit companies such as Asahi Intecc, a specialist manufacturer of guidewires used in non-surgical procedures for patients suffering from heart disease.

Elsewhere, expectations for domestic reflation buoyed the share prices of homebuilders and housing-related materials makers. Ahead of the sales tax hike in April 2014, Sekisui Chemical, a key overweight position, enjoyed strong growth in housing orders. LIXIL Group, a producer of housing equipment and materials, also benefited from robust housing starts. Moreover, LIXIL's aggressive expansion in overseas markets through M&A is expected to enhance its growth potential further over the long term.

On the other hand, the performance of holdings in global cyclical stocks was mixed. In the transport equipment sector, auto-parts maker Takata lost ground as product recalls resulted in disappointing earnings results and the position was sold. In the electrical machinery sector, LED lighting makers Odelic and Endo Lighting fell on short-term earnings weakness. The holding in Odelic has been sold since the year end. However, we maintain an overweight position in Endo Lighting, as we believe that it will benefit from secular growth in energy saving in Japan.

The table below shows the principal five contributors to, and principal five detractors from, the Company's performance relative to the Benchmark Index.

Principal contributors to absolute return	Return %*	Contribution to Company performance versus the Index
Kakaku.com	+3.5	+2.3
M3	+2.3	+1.4
JP-Holdings	+2.1	+1.5
WirelessGate	+2.0	+1.6
Sekisui Chemical	+2.0	+1.0

* Simple price return sourced from Bloomberg.

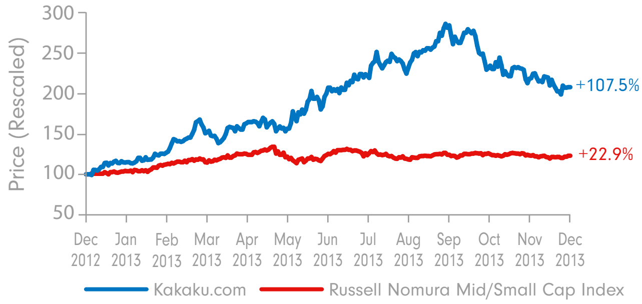
Principal detractors to absolute return	Return %*	Detraction to Company performance versus the Index
Fuji Kyuko	-0.8	-0.5
Honeys	-0.8	-0.4
Endo Lighting	-0.7	-0.3
Gulliver International	-0.6	-0.2
Tachi-S	-0.5	-0.2

* Simple price return sourced from Bloomberg.

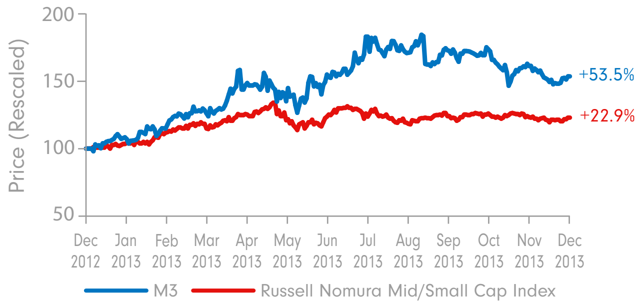
Manager's Review

PRINCIPAL CONTRIBUTORS

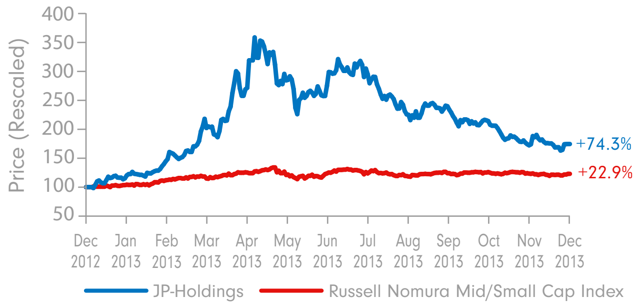
Kakaku.com operates Japan's leading online price comparison site. In light of improving domestic consumption, e-commerce continued to grow at a healthy pace, reflecting the rising penetration of smartphones and the increased convenience of online shopping. We took some profits in the stock, notably during its strongest period of performance from July through September. However, Kakaku.com remains a long-term structural winner in the expanding e-commerce market and valuations look more attractive following the recent correction.



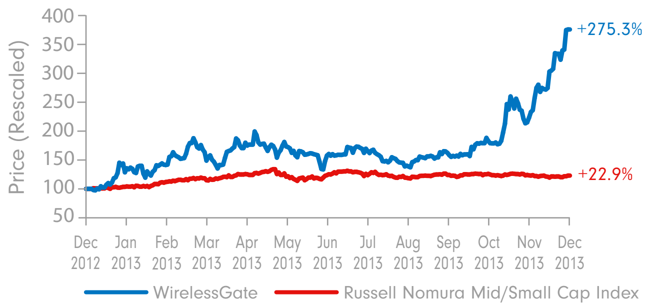
M3 provides web-based, two-way marketing/customer support services for pharmaceutical companies and doctors. Pharmaceutical marketing is not a growth industry, but by changing existing business practices through the utilisation of its internet infrastructure M3 has created its own niche within the pharmaceutical industry. M3 remains a long-term holding, which has consistently added value over time since the position was initiated in 2007.



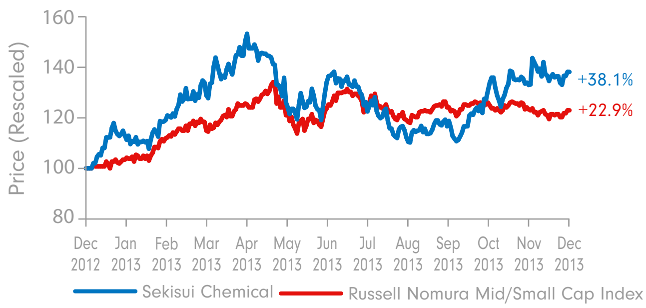
JP-Holdings is the leading nursery school operator in Japan. As the rate of female labour participation is low in Japan compared with other developed countries, the Government will improve support for working mothers by increasing the number of private nursery schools. This should encourage future growth in the child daycare service market, in which JP-Holdings has an advantageous position. The stock was sold on valuation grounds during the second half of the year.



WirelessGate is a provider of high-speed wireless broadband services. Its share price more than doubled in the fourth quarter of 2013. The rising penetration of smartphones/tablets and higher data requirements are encouraging more users to adopt Wi-Fi services. We took some profits in December 2013, but continue to hold the shares as we expect earnings to continue to grow in line with rising demand for wireless communication services.



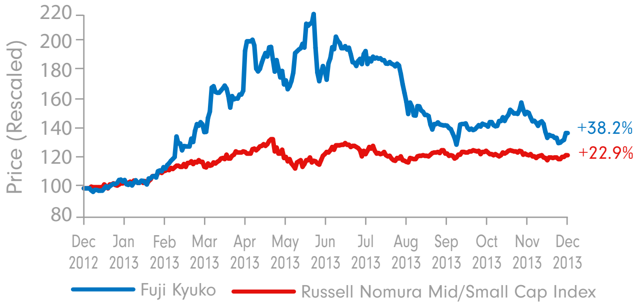
Sekisui Chemical builds and sells residential houses. It also produces PVC housing products. Expectations for domestic reflation buoyed the share prices of homebuilders and housing-related materials makers during the period. Sekisui Chemical also enjoyed strong growth in housing orders ahead of the sales tax hike in April 2014. The stock remains a key holding and we expect housing volume growth to drive earnings upwards.



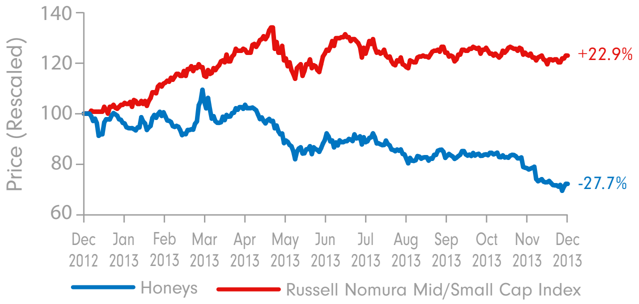
Manager's Review

PRINCIPAL DETRACTORS

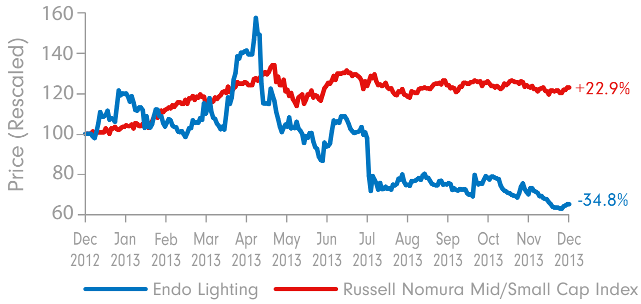
Fuji Kyuko provides passenger rail and bus services in Shizuoka, Yamanashi and Kanagawa prefectures. The stock was purchased from April 2013 onwards and your Company did not fully participate in the initial phase of the rally. However, we view Fuji Kyuko as a key beneficiary of Prime Minister Abe's policy focus of increasing inbound tourism and expect an improvement in the share price in the future.



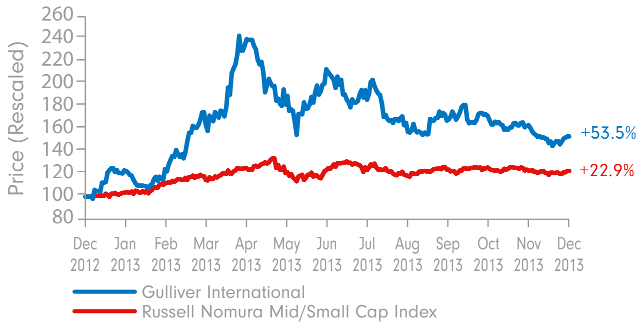
Honeys is a retailer of ladies' casual clothing and accessories. Its shares performed poorly as sales in China struggled due to intensifying competition, whilst domestic customer traffic slowed sharply in response to product price increases. An anticipated improvement in the sales climate failed to materialise and the position was gradually reduced towards the end of the period.



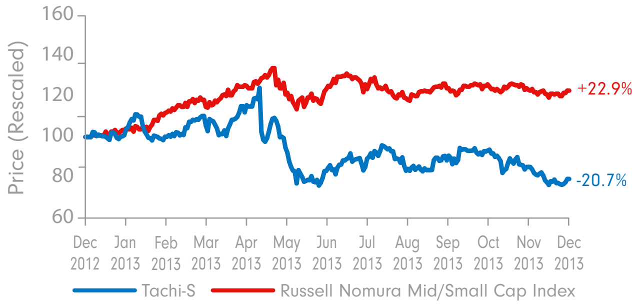
Endo Lighting is a leading producer of LED lighting fixtures. The shares performed poorly due to short-term earnings weakness. However, we maintain an overweight position in the company, as we believe that it is highly levered to secular growth in energy saving in Japan.



Gulliver International operates Japan's largest nationwide chain of used car stores. The stock was purchased in April 2013, which in hindsight marked a near-term peak. Retail sales, a key earnings driver, fell short of expectations due to adverse pricing strategies. However, the used-car business has since stabilised and we expect the company's efforts to strengthen its retail operations through aggressive new store openings to drive future growth.



Tachi-S manufactures passenger seats for cars and trucks. We initiated a position in the stock in May 2013, after which both absolute and relative performance was disappointing. Production start-up costs diminished the company's near-term profit growth, but we expect to see a recovery from fiscal 2014 as one-time factors expire and contributions from new seats emerge.



Manager's Review

PORTFOLIO REVIEW

The following tables show the key stock positions versus the Russell Nomura Mid/Small Cap Index at the end of 2012 and 2013.

Top Ten Positions as at 31 December 2012	Company Holding %	Index Weight %	Active Weight %
LIXIL Group	3.3	0.5	2.8
Sekisui Chemical	3.2	0.3	2.9
Maruwa	2.9	–	2.9
Honeys	2.8	–	2.8
Takata	2.8	0.1	2.7
Bit-Isle	2.8	–	2.8
Kakaku.com	2.5	0.1	2.4
M3	2.3	0.1	2.2
Sumitomo Rubber	2.0	0.2	1.8
1st Holdings	2.0	–	2.0

Top Ten Positions as at 31 December 2013	Company Holding %	Index Weight %	Active Weight %
Sanix	3.0	–	3.0
M3	2.8	0.1	2.7
LIXIL Group	2.7	0.5	2.2
Sekisui Chemical	2.5	0.3	2.2
Tosho	2.4	–	2.4
Seria	2.2	–	2.2
Livesense	2.2	–	2.2
Nihon Nohyaku	2.1	–	2.1
Stanley Electric	2.0	0.2	1.8
Japan Aviation Electronics	1.9	–	1.9

The Company maintains a diversified portfolio, keeping a balance between domestic consumer services and pro-cyclical manufacturers. Portfolio turnover in 2013 increased to 86% from 70% in the previous year. In response to the strong market rally, positions where share price valuations already discounted foreseeable growth were actively trimmed and recycled into new stocks with reasonable valuations. Meanwhile, low-growth, defensive stocks in the foods, power utilities, pharmaceuticals and railway sectors remain underweight.

The investment focus remains on highly competitive, mid/small cap stocks in the consumer services sector. Whilst the portfolio has relatively large overweight positions in internet-based service companies such as M3 and Kakaku.com, it also includes a diverse range of business models including solar power integration, leisure & entertainment, and recruitment. Sanix, which has become the largest single stock position, was added to the portfolio in March 2013. The company's mainstay business is termite extermination, but it has transformed itself into a solar power integrator that installs small-scale solar panels for both commercial and residential use. Thanks to the Government's subsidies for purchasing clean energy, the number of applications for solar power system installation is growing at record rates, and Sanix is enjoying strong growth in its orders and sales.

Another new position is Tosho, which operates sports club facilities and hotels primarily in Aichi prefecture. Strong earnings momentum is driven by new openings of sports clubs and hotels. Business expansion outside of Aichi is expected to be the key earnings driver for the medium-term. Round One is also a recent addition to the portfolio. It operates bowling alleys and video game arcades. Sales growth has been sluggish, but there are some early signs of a recovery due to the introduction of special promotions (e.g. weekday all you can bowl, low priced drinks after midnight at Karaoke facilities etc) and price reductions. In addition, recruitment and temporary staffing agencies, including Livesense, Temp Holdings and Outsourcing, make up a relatively large position within the consumer service sector.

Within pro-cyclical sectors, electronic component manufacturers and electronic material makers with strong earnings growth momentum are favoured due to a cyclical upturn in demand for smartphones and automobile parts. An overweight position in Stanley Electric has proved rewarding. The company makes various automotive electronic parts including LED headlamps and stands to benefit from a weaker yen and increased automobile production at Honda Motor. Japan Aviation Electronics ("JAE") appears to be undervalued. JAE is a niche manufacturer of connectors used for smartphones and automobiles, the strong growth potential of which appears underappreciated by the market. Brother Industries is a recent addition to the portfolio, as it will benefit from a cyclical recovery in capital spending. A position in Fujibo Holdings has also been initiated. Whilst the company is a textile manufacturer, its main earnings growth driver currently is synthetic abrasive materials used to polish semiconductors. Its niche product is steadily gaining market share and the company is well positioned to benefit from a recovery in production by semiconductor makers.

While new growth opportunities have been identified, a number of positions that have met target prices have been closed. These include Nidec (spindle motors for hard disk drives), Nitto Denko (LCD polarising films for smartphones and tablets), Kubota (agricultural machinery), and Seino Holdings (haulage).

Manager's Review

OUTLOOK

Despite the market's strong rise in 2013, valuations do not appear stretched because earnings growth has been accelerating in line with the stock price appreciation. This is why we believe that the downside to the market is limited. The correction since the beginning of 2014 is related to global uncertainty rather than any specific concerns regarding the domestic economic outlook or valuation levels in Japan. The indiscriminate selling has created opportunities to invest in attractive businesses at a cheaper price.

The Japanese small-cap market is a rich hunting ground for entrepreneurial companies and yet research coverage remains patchy. This means that many growth opportunities have yet to be reflected in share prices. Furthermore, it is encouraging to see a buoyant initial public offering ("IPO") market. Almost all of the 54 IPOs in 2013 rose on their first day of trading with some even quadrupling. These new companies often have characteristics that are in line with your Company's investment strategy – innovative business models that are changing existing business practices in their own areas and gaining share from incumbents. A healthy expansion of the small-cap universe provides a further reason to be optimistic about the outlook for Japan.

FIL Investments international
26 March 2014

Strategic Report

The Directors present the Strategic Report of the Company which replaces reporting previously included in the 'Business Review' section of the Directors' Report. It provides a review of the Company's business and describes the principal risks and uncertainties it faces. An analysis of the performance of the Company during the financial year and the position at the year end is included taking into account its objective, strategy and risks and how these are measured using key performance indicators.

BUSINESS AND STATUS

The Company carries on business as an investment trust and has been accepted as an approved investment trust by HM Revenue & Customs under Sections 1158 and 1159 of the Corporation Tax Act 2010, subject to the Company continuing to meet eligibility conditions. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval.

The Company is registered as an investment company under Section 833 of the Companies Act 2006 and operates as such. It is not a close company and has no employees.

PRIMARY OBJECTIVE

The primary objective of your Company is to enhance shareholder value, achieved through long term capital growth from an actively managed portfolio of securities primarily of small and medium sized Japanese companies listed or traded on Japanese stockmarkets.

STRATEGY

In order to achieve its investment objective, the Company 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.

The Board recognises that investing in equities is a long term process and that the Company's returns will vary from year to year. Unlike equivalent open-ended investment vehicles, the investment trust structure offers investors a portfolio which may be geared. The Board takes the view that long term returns can be enhanced by the use of gearing in a carefully considered and monitored way. The gearing range is considered by the Board at each of its meetings.

INVESTMENT POLICY

The markets in which the Company may invest comprise primarily the Tokyo Stock Exchange along with, 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 invests primarily in shares. (At the year end the Company was 16.8% geared).

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 2013 there were no such holdings in the Company's portfolio (2012: 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 bank loans.

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 shareholders' funds by more than 30% at the time at which any CFD is entered into or a security acquired. The Board also intends that the exposure will not exceed shareholders' funds by more than 40% at any other time unless exceptional circumstances exist.

Strategic Report

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 (i.e. on a total exposure basis).

The investment in Japanese equities achieved through borrowings and/or CFDs will be subject to the acquisition and holding limits set out on page 11. 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.

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

Details of the Company's Ten Largest Investments can be found on page 15, and the Full Portfolio Listing can be found on pages 19 to 21 and the Distribution of the Portfolio can be found on page 16.

INVESTMENT MANAGEMENT PHILOSOPHY, STYLE AND PROCESS

The Portfolio Manager utilises a "bottom up" stock picking approach. Supported by 25 research analysts based in Tokyo, he seeks to identify attractively valued companies through extensive research and rigorous valuation analysis rather than constructing the portfolio on the basis of macroeconomic analysis. The Portfolio Manager has a focus on small caps with multi-year growth potential.

RESULTS AND PERFORMANCE

Details of the results and performance for the year, together with an analysis of trends and factors that may impact the future performance of the Company may be found in the Chairman's Statement on pages 3 and 4 and Manager's Review on pages 5 to 16. The Chairman's Statement and Manager's Review form part of the Strategic Report. The ten year summary can be found on page 17.

KEY PERFORMANCE INDICATORS

The key performance indicators ("KPIs") used to measure the progress and performance of the Company over time and which are comparable to those reported by other investment trusts are: the performance of the NAV per share, both in absolute terms and in relation to the Russell Nomura Mid/Small Cap Index (the Benchmark Index); share price performance; and the discount of the NAV per share to the share price. Details of how the Company has performed against these KPIs, may be found in the Summary of Performance on page 17.

As well as the KPIs set out above, the Board also regularly monitors other relevant statistics, including investment performance compared to the Company's peer group.

The Directors also monitor the various factors contributing to investment results, as set out in the Attribution Analysis table on page 6.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The process is regularly reviewed by the Board in accordance with the Financial Reporting Council's ("FRC's") "Internal Control: Revised Guidance for Directors".

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. An internal controls report providing an assessment of risks, together with controls to mitigate these risks, is prepared by the Manager and considered by the Audit Committee.

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

Market Risk

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

Risks to which the Company is exposed and which form part of the market risks category are included in Note 17 to the financial statements on pages 53 to 56 together with summaries of the policies for managing these risks. These comprise: market price risk (comprising interest rate risk, foreign currency risk and other price risk), liquidity risk, counterparty risk, credit risk and derivative instruments risk.

Performance Risk

The achievement of the Company's performance objective requires the assumption of risk. Strategy, asset allocation and stock selection might lead to underperformance of the Benchmark Index and target.

The Company has a clearly defined strategy and investment remit which is detailed in the management agreement between the Company and the Manager. Borrowing/derivative limits are set by the Board.

The Board relies on the Portfolio Manager's skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors. The portfolio is managed by a highly experienced Portfolio Manager, supported and overseen by the Manager's investment team.

Strategic Report

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 of performance in the shorter term.

Discount Control Risk

The Board is not able to control the prices at which the Company's ordinary 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. Details of repurchases during the year are given on page 24. The Company's share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board at each of its meetings.

Currency Risk

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 gearing by way of long CFDs is in yen means that part of the investment portfolio funded by gearing 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 53 to 56.

Gearing Risk

The Company has the option to invest up to the total of any loan facilities or to use Contracts for Difference ("CFDs") to invest in equities. The principal risk is that gearing magnifies investment returns. Therefore, if the Company is geared in strongly performing stocks the Company will benefit from gearing. If the Company is geared in poorly performing stocks, the impact would be detrimental. Other risks are that the cost of gearing may be too high or that the term of the gearing is inappropriate in relation to market conditions. The Company currently has no bank loans and geared exposure is being achieved through the use of long CFDs. This has reduced the cost of gearing and provides greater flexibility. The Board regularly considers gearing and gearing risk and sets limits accordingly.

Tax and Regulatory Risks

A breach of Section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status, resulting in the Company being subject to tax on capital gains. A breach of other legal and regulatory rules may lead to suspension from listing on the Stock Exchange or a qualified audit report. The Board receives regular reports from the Manager confirming regulatory compliance during the year.

There are a number of prospective regulations which could impact the Company. Of greatest significance is the Alternative Investment Fund Managers Directive ("AIFMD"). The implementation date for the Directive was July 2013 but with a transitional period whereby investment trusts will not be required to apply for AIFMD authorisation until July 2014. The Board has reviewed the impact of the directive on the Company's operations and decided in principle to appoint FIL Investment Services (UK) Limited (for no additional fee) as its Alternative Investment Fund Manager ("AIFM") before the end of the transitional period on 22 July 2014. FIL Investment Services (UK) Limited is in the process of seeking to become a registered AIFM during the transitional period so that your Company will become fully compliant by July 2014.

An additional requirement of the AIFMD is to appoint a depositary on behalf of the Company which will oversee custody and cash arrangements of the Company. To this end the Board has agreed in principle to appoint J. P. Morgan Europe Limited to act as the Company's depositary. JPMorgan Chase Bank will continue to act as bankers and custodian to the Company. There will be an additional operating cost associated with this new role but it is not possible at this stage to be precise about the level of additional cost.

Operational Risks

The Company has no employees and relies on a number of third party service providers, principally the Manager, Registrar and Custodian. The Company is dependent on the Manager's control systems and those of its Custodian and Registrar, both of which are monitored and managed by the Manager on behalf of the Board.

The security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements, among other things, rely on the effective operation of such systems. The Manager, Registrar and Custodian are subject to a risk-based programme of reviews by the Manager's internal audit department. In addition, service providers' own internal controls reports are received and reviewed by the Board and any concerns investigated.

While it is believed that the likelihood of poor governance, compliance and operational administration by third party service providers is low, the financial consequences could be serious, including the associated reputational damage to the Company.

Certain of the Company's relationships with its service providers will change as the Company implements AIFMD and in particular the Company is required to appoint a depositary.

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Financial Instrument Risks

The financial instrument risks faced by the Company are shown in Note 17 to the financial statements on pages 53 to 56. The additional risk to the Company of using long CFDs rather than traditional forms of borrowing is that the Company does not own the Japanese equities to which the long CFDs give exposure and is at risk if the counterparty defaults, for example for insolvency reasons. The balance on all outstanding long 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 outstanding 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

A continuation vote takes place every three years, with the next such vote due to take place in 2016. There is a risk that shareholders may not vote in favour of continuation during periods when performance is poor.

BOARD DIVERSITY

When refreshing its composition the Board carries out its candidate search against a set of objective criteria on the basis of merit, with due regard for the benefits of diversity on the Board, including gender. As at 31 December 2013, there were five male Directors and no female Directors on the Board.

EMPLOYEE, SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

The Company has no employees and all of its Directors are non-executive, the Company's day-to-day activities being carried out by third parties. The Company has not adopted a policy on human rights as it has no employees and its operational processes are delegated.

The Company's financial reports are printed by a company which has won awards for its environmental awareness and further details of this may be found on the back cover of this report. 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.

CORPORATE ENGAGEMENT

The Board believes that the Company should, where appropriate, take an active interest in the affairs of the companies in which it invests and that it should exercise its voting rights at their general meetings. Unless there are any particularly controversial issues (which are then referred to the Board) it delegates the responsibility for corporate engagement and shareholder voting to the Manager. These activities are reviewed annually.

FUTURE DEVELOPMENTS

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 3 and 4 and Manager's Review on pages 5 to 10.

By order of the Board
FIL Investments International
Secretary
26 March 2014

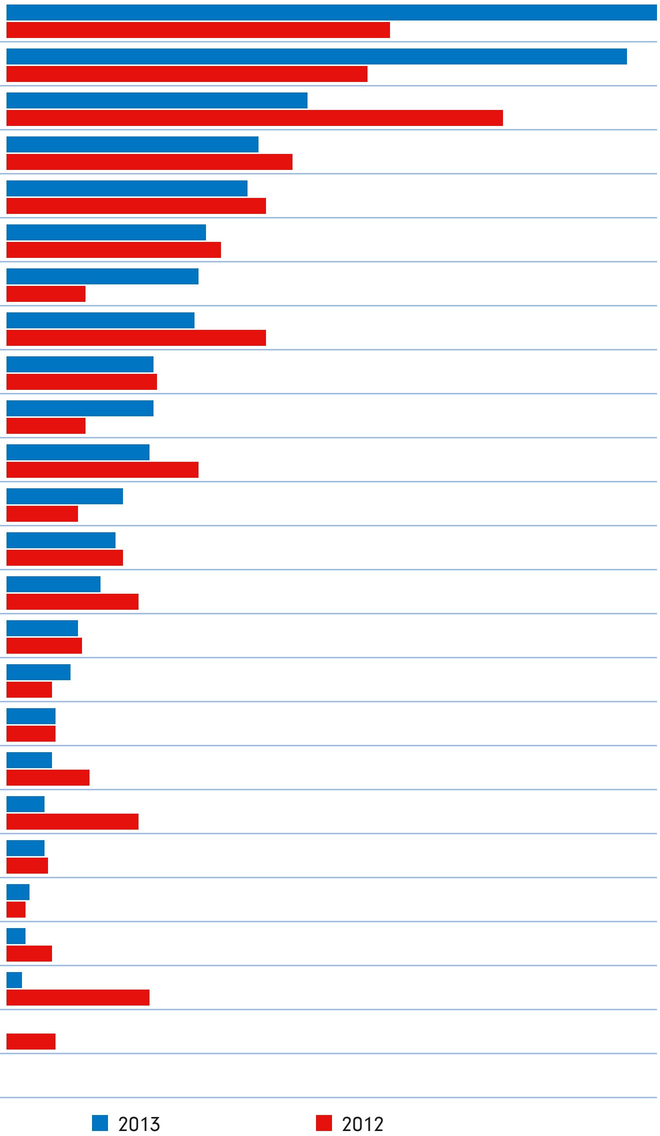
Ten Largest Investments as at 31 December 2013

Ten Largest Investments, including long CFDs The Full Portfolio Listing is set out on pages 19 to 21	Exposure £'000	Fair value[1] £'000	Total Exposure %[2]
Sanix Solar power integrator	3,203	3,203	3.0
M3 (CFD) Provider of medical related internet services	2,907	1,505	2.8
LIXIL Group (CFD) Producer of building materials and house equipment	2,791	437	2.7
Sekisui Chemical (CFD) Producer of housing materials, plastics and flat panel displays	2,606	1,073	2.5
Tosho Operator of sports club facilities, hotels, and golf courses	2,490	2,490	2.4
Seria Operator of '100 yen' chain stores throughout Japan	2,380	2,380	2.2
Livesense Operator of job placement and home rental websites	2,330	2,330	2.2
Nihon Nohyaku Manufacturer of agrochemical and pharmaceutical products	2,222	2,222	2.1
Stanley Electric Manufacturer of electronic equipment and components	2,132	2,132	2.0
Japan Aviation Electronics Manufacturer of electrical connectors and aerospace equipment	1,988	1,988	1.9
Ten Largest Investments (2012: 26.6%)	25,049	19,760	23.8
Other Investments (2012: 73.4%)	80,100	70,112	76.2
Total Portfolio (including long CFDs)	105,149	89,872	100.0

1 Fair value represents the carrying value in the Balance Sheet on page 43
2 % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs

Distribution of the Portfolio as at 31 December 2013

Investments (including long CFDs)	2013 %[1]	2012 %[1]
Services	17.3	10.2
Electrical Machinery	16.5	9.6
Chemicals	8.0	13.2
Information & Communications	6.7	7.6
Retail Trade	6.4	6.9
Machinery	5.3	5.7
Real Estate	5.1	2.1
Transport Equipment	5.0	6.9
Banks	3.9	4.0
Precision Instruments	3.9	2.1
Metal Products	3.8	5.1
Construction	3.1	1.9
Other Financing Business	2.9	3.1
Wholesale Trade	2.5	3.5
Non-ferrous Metals	1.9	2.0
Land Transportation	1.7	1.2
Other Products	1.3	1.3
Insurance	1.2	2.2
Rubber Products	1.0	3.5
Textiles & Apparel	1.0	1.1
Securities	0.6	0.5
Pharmaceuticals	0.5	1.2
Glass & Ceramics	0.4	3.8
Foods	–	1.3
Total	**100.0**	**100.0**



[1] % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs

Summary of Performance

Historical Record as at 31 December	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Total portfolio exposure (£m)[1]	105	70	77	79	68	75	79	92	137	86
Shareholders' funds (£m)	90	58	63	65	53	51	65	78	121	70
NAV per ordinary share (p) – undiluted	79.02	59.94	64.17	68.44	55.56	53.58	66.67	79.59	123.56	71.26
NAV per ordinary share (p) – diluted	n/a	59.91	62.79	66.21	55.47	n/a	n/a	n/a	n/a	n/a
Ordinary share price (p)	72.00	51.63	52.50	57.25	48.50	41.75	58.50	73.50	130.25	61.75
Subscription share price (p)	n/a	0.80	5.70	11.75	8.28	n/a	n/a	n/a	n/a	n/a
(Discount)/premium to NAV % – undiluted	(8.9)	(13.9)	(18.2)	(16.4)	(12.7)	(22.1)	(12.3)	(7.7)	5.4	(13.3)
Discount to NAV % – diluted	n/a	(12.8)	(16.4)	(13.5)	(12.6)	n/a	n/a	n/a	n/a	n/a
Revenue (loss)/return per ordinary share (p)	(0.30)	(0.06)	0.02	(0.30)	(0.73)	(0.12)	(0.49)	(0.68)	(1.02)	(0.89)
Dividend per ordinary share (p)	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil
Ongoing charges (%) (cost of running the Company)	1.80	2.00	1.98	2.08	2.17	1.98	1.65	1.46	1.83	1.83
Gearing (%)[2]	16.8	21.0	23.2	20.9	3.8	28.5	20.7	16.9	11.5	22.0
NAV per ordinary share total return performance – undiluted (%)	+31.8	-6.6	-6.2	+23.2	+3.7	-19.6	-16.2	-35.6	+73.4	+17.9
NAV per ordinary share total return performance – diluted (%)	n/a	-5.7	-5.2	+19.4	n/a	n/a	n/a	n/a	n/a	n/a
Ordinary share price total return performance (%)	+39.5	-1.7	-8.3	+18.0	+16.2	-28.6	-20.4	-43.6	+110.9	+21.1
Russell Nomura Mid/Small Cap Index (in sterling terms)	+21.7	-3.1	-9.3	+18.6	-6.3	+4.4	-8.5	-18.5	+44.5	+11.0

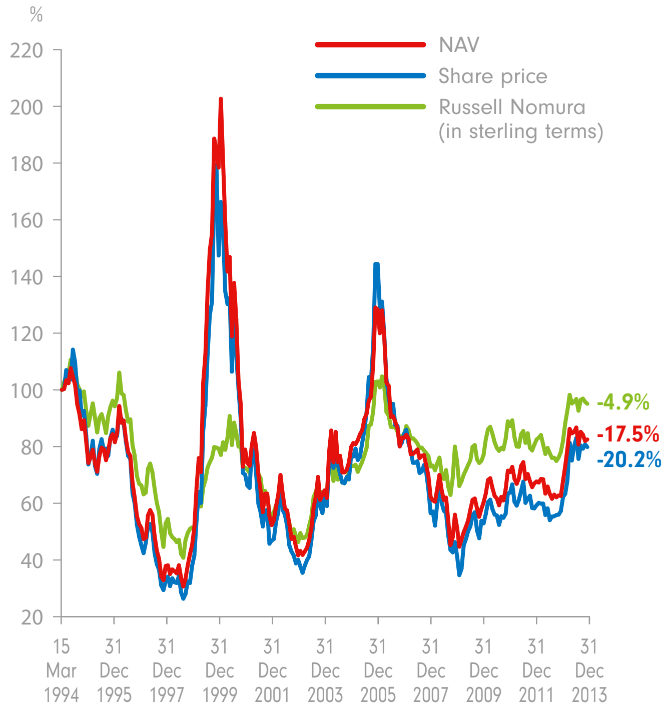
1 The total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs. The amounts prior to 2009 represent total assets less creditors, excluding bank loans

2 Total portfolio exposure in excess of shareholders' funds. The amounts prior to 2009 represent total assets, less bank loans plus cash at bank, in excess of shareholders' funds

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

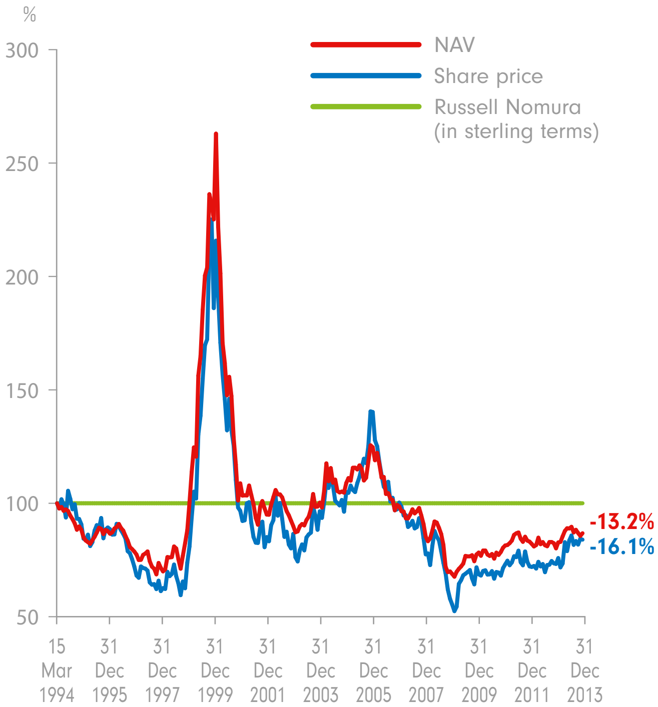
Summary of Performance

Total return performance from launch to 31 December 2013



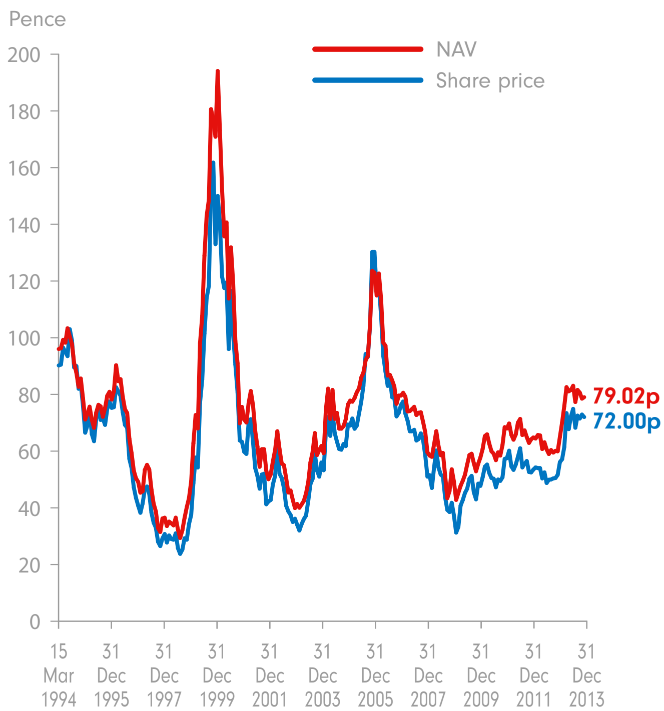
Prices rebased to 100
Sources: Fidelity and Datastream

Total return performance relative to the Benchmark Index from launch to 31 December 2013



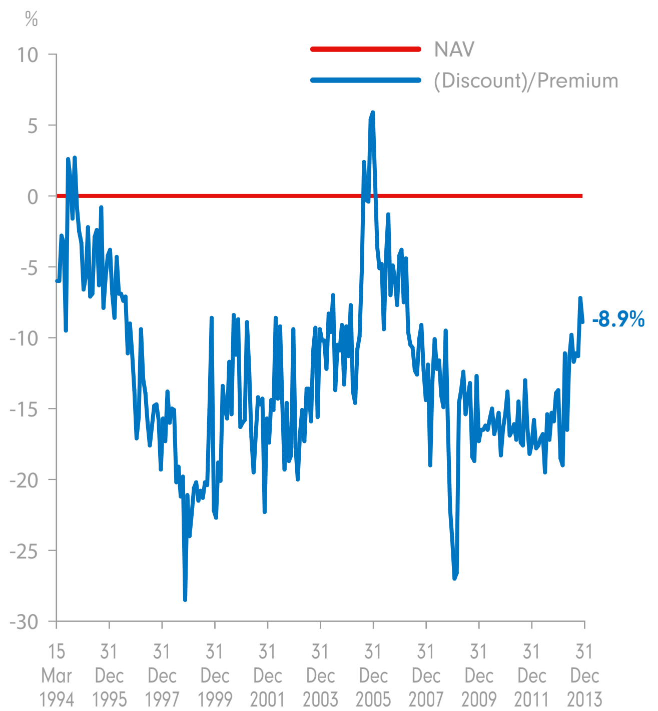
Prices rebased to 100
Sources: Fidelity and Datastream

NAV and share price in pence from launch to 31 December 2013



Sources: Fidelity and Datastream

Share price (discount)/premium to NAV from launch to 31 December 2013



Based on figures at month end only
Sources: Fidelity and Datastream

Full Portfolio Listing as at 31 December 2013

Portfolio, including long CFDs	Exposure £'000	Fair Value[1] £'000	Exposure %[2]
Sanix	3,203	3,203	3.0
M3 (CFD)	2,907	1,505	2.8
LIXIL Group (CFD)	2,791	437	2.7
Sekisui Chemical (CFD)	2,606	1,073	2.5
Tosho	2,490	2,490	2.4
Seria	2,380	2,380	2.2
Livesense	2,330	2,330	2.2
Nihon Nohyaku	2,222	2,222	2.1
Stanley Electric	2,132	2,132	2.0
Japan Aviation Electronics	1,988	1,988	1.9
Hikari Tsushin	1,975	1,975	1.9
Sumitomo Electric Industries (CFD)	1,964	639	1.9
Round One	1,926	1,926	1.8
Kakaku.com (CFD)	1,914	1,273	1.8
Hamamatsu Photonics	1,803	1,803	1.7
Fuji Kyuko	1,739	1,739	1.7
WirelessGate	1,733	1,733	1.6
Aton Mall	1,677	1,677	1.6
Honeys	1,672	1,672	1.6
Anritsu (CFD)	1,613	(417)	1.5
Shinmaywa Industries	1,609	1,609	1.5
VT Holdings	1,603	1,603	1.5
Odelic	1,522	1,522	1.4
Disco (CFD)	1,486	335	1.4
Calsonic Kansei	1,485	1,485	1.4
Tokuyama	1,475	1,475	1.4
Gulliver International	1,464	1,464	1.4
Asahi Intecc	1,444	1,444	1.4
Lintec	1,409	1,409	1.3
Iida Group Holdings	1,390	1,390	1.3
AEON Financial Services (CFD)	1,355	(4)	1.3
Brother Industries	1,336	1,336	1.3
Anicom Holdings	1,327	1,327	1.3
Rohm	1,248	1,248	1.2
Toko	1,246	1,246	1.2
Yokogawa Bridge Holdings	1,173	1,173	1.1
Aisin Seiki (CFD)	1,171	344	1.1
Resona Holdings	1,166	1,166	1.1
Shinsei Bank (CFD)	1,163	73	1.1
NuFlare Technology	1,100	1,100	1.0
NTT Urban Development (CFD)	1,091	342	1.0
Sumitomo Rubber (CFD)	1,057	242	1.0

Full Portfolio Listing as at 31 December 2013

Portfolio, including long CFDs	Exposure £'000	Fair Value[1] £'000	Exposure %[2]
Jin	1,056	1,056	1.0
Fujibo Holdings	1,042	1,042	1.0
Daicel Corp	1,034	1,034	1.0
Citizen Holdings	1,013	1,013	1.0
Tachi-S	1,010	1,010	1.0
Hito Communications	955	955	0.9
Hitachi Capital	926	926	0.9
Chiba Bank	909	909	0.9
Endo Lighting	907	907	0.9
Fuji Media Holdings	892	892	0.8
Lasertec	883	883	0.8
OSG	869	869	0.8
Taiyo Yuden	869	869	0.8
Resorttrust	868	868	0.8
Hoya	850	850	0.8
Aozora Bank	841	841	0.8
Mobile Create Company	828	828	0.8
IR Japan	824	824	0.8
THK	817	817	0.8
3-D Matrix	816	816	0.8
Mitsubishi Ufj Lease & Finance	804	804	0.8
Takuma	749	749	0.7
Kyowa Exeo	740	740	0.7
Nichicon	703	703	0.7
Ai Holdings	699	699	0.7
Temp Holdings	667	667	0.6
Nippon Densetsu Kogyo	647	647	0.6
Toyo Engineering	644	644	0.6
Financial Products Group	633	633	0.6
Totetsu Kogyo	632	632	0.6
Sun	625	625	0.6
JSP	625	625	0.6
Tosei	622	622	0.6
Penta Ocean Construction	572	572	0.6
Ono Pharmaceutical	553	553	0.5
Outsourcing	553	553	0.5
Nippon Parking Development	548	548	0.5
Taiho Kogyo	531	531	0.5
Bit-Isle	520	520	0.5
Fuetrek	497	497	0.5
Wacom	497	497	0.5
Sanrio	488	488	0.5

Full Portfolio Listing as at 31 December 2013

Portfolio, including long CFDs	Exposure £'000	Fair Value[1] £'000	Exposure %[2]
Zeon	440	440	0.4
Fujimi	411	411	0.4
Zigexn	94	94	0.1
Koshidaka Holdings	61	61	0.1
Total Portfolio (including long CFDs)	105,149	89,873	100.0

[1] Fair value represents the carrying value in the Balance Sheet on page 43
[2] % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs

Gearing as at 31 December 2013

	2013 £'000	2012 £'000
Investments at fair value	84,031	55,087
Exposure to long CFDs	21,118	15,155
Total Portfolio Exposure	105,149	70,242
Shareholders' Funds	90,042	58,034
Total Portfolio Exposure in excess of Shareholders' Funds	16.8%	21.0%

Board of Directors

David Robins[1]

(Chairman) (Date of appointment: 1 February 2011; appointed Chairman on 10 May 2012) is Chairman of the Asian Total Return Investment Company plc, Deputy Chairman of Oriel Securities Limited, the privately owned corporate and institutional stockbroking and advisory firm, and a Director of Meggitt plc and SVG Capital plc. Previously, he was Chairman and Chief Executive of ING Barings following 18 years with UBS, most recently as Executive Vice President Europe having spent several years in Zurich, New York and Tokyo. Prior to this he was, in succession, a Japanese Economist at the Bank of England, an Executive in the Japanese department of James Capel and then Far Eastern Economist and subsequently Chief International Economist at Philips & Drew. He began his career with the Commonwealth Bank in Sydney.

Sir Laurence Magnus[1]

(Chairman of the Audit Committee) (Date of appointment: 1 October 2010; appointed as Chairman of the Audit Committee: 12 May 2011) is a Senior Advisor to Evercore Partners, the US listed corporate finance advisory business, Chairman of English Heritage and a Director or trustee of a number of private companies and charities. Previously he worked for Samuel Montagu & Co Limited (HSBC Investment Bank) in a corporate finance advisory capacity, including a number of years spent in Singapore with responsibilities in South East Asia. He was subsequently, in succession, a Director of Phoenix Securities, a Managing Director of Donaldson, Lufkin and Jenrette and a Managing Director of Credit Suisse First Boston before joining Lexicon Partners in 2001, initially as Deputy Chairman and subsequently as Chairman prior to its merger with Evercore in 2011. He is Chairman of J.P. Morgan Income & Capital Trust PLC and a Director of The Cayenne Trust PLC and Pantheon International Participations plc.

Philip Kay[1]

(Date of appointment: 29 October 2004) is a former Managing Director and Senior Advisor of Credit Suisse First Boston where he ran the global Japanese cash equity business. He is a Director of two Japanese hedge funds, the Akamatsu Fund and the Akamatsu Bonsai Fund, and is a fellow of Wolfson College, Oxford. Previously he was a Director of Schroder Securities Limited and of Smith New Court PLC.

Simon Fraser[2]

(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 Trust plc. He is also a Director of Barclays PLC, Barclays Bank PLC, Ashmore Group plc and Fidelity European Values PLC. He was recently appointed an Honorary Vice President of the National Trust of Scotland.

David Miller, OBE[1]

(Date of appointment: 29 October 2004; date of appointment as Senior Independent Director: 1 January 2013) is a Director of FBG Investment Limited and a number of other unquoted companies. He was with Robert Fleming Group from 1972 to 1991, was resident in Japan for nearly eight years and was Head of the Fleming group's Tokyo office.

[1] Member of the Audit, Management Engagement and Nomination Committees
[2] Member of the Audit and Nomination Committees

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2013.

STATUS OF COMPANY

Details on the status of the Company may be found in the Strategic Report on page 11.

MANAGEMENT COMPANY

During the year to 31 December 2013, the Manager, FIL Investments International, a subsidiary of FIL Limited, provided management, accounting, administrative and secretarial services to the Company pursuant to the Management and Secretarial Services Agreement (the "Management Agreement") dated 6 February 2006 and amended on 18 January 2011 and 22 August 2012.

For the year ended 31 December 2013 the Management Agreement provided for a quarterly fee of an amount equal to 0.25% 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. With effect from 1 January 2014 the investment management fee was reduced from a rate of 1.00% per annum to 0.85% per annum.

The Company has also agreed to pay to the Manager a fee for secretarial and administration services, payable quarterly in arrears, at the current rate of £43,000 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.

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. Fees payable under this Agreement for the year to 31 December 2013 were £100,000 (2012: £62,000). The fees for 2012 were reduced to £62,000 by an underspend brought forward from the previous year.

An amount of £323,000 (2012: £222,000) was due to the Manager under the above agreements at 31 December 2013 and is included in "other creditors" in Note 11 on page 50.

Fidelity operates a broker segmentation policy, which 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 Financial Conduct Authority 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 2013 no monies were received (2012: nil).

FIL Investments International is a member of the FIL Limited group of companies. As at the date of this report FIL Limited has an interest in 8,224,920 (7.21%) ordinary shares in the Company on its own account.

DIRECTORS

The following Directors served during the year:

David Robins (Chairman)
Simon Fraser
Philip Kay
Sir Laurence Magnus
David Miller

Details of the current Directors are set out on page 22.

All of the Directors are non-executive. 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 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 current Directors in the shares of the Company as at 31 December 2012 and 31 December 2013 can be found in the Directors' Remuneration Report on page 37.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

Directors' Report

REGISTRAR AND CUSTODIAN ARRANGEMENTS

The Company employs Capita Asset Services to manage the Company's share register. Fees for their custodial services for the year under review amounted to £31,000 (2012: £24,000).

The Company employs JPMorgan Chase Bank as its custodians who are primarily responsible for safeguarding the Company's assets. Fees for their custodial services for the year under review amounted to £13,000 (2012: £10,000).

SHARE CAPITAL

At 31 December 2013 the Company's issued share capital comprised of 113,954,834 ordinary shares of 25 pence each (2012: 96,822,685 ordinary shares of 25 pence each and 17,232,149 subscription shares of 5 pence each). Each ordinary share in issue carries one vote.

SHARE ISSUES

During the year ended 31 December 2013 a total of 17,232,149 (2012: 12,710) ordinary shares were issued following the exercise of rights attached to the subscription shares. A total of 7,032,140 subscription shares were exercised between 1 January 2013 and the final subscription date of 28 February 2013, with the remaining 10,200,009 subscription shares being exercised on 1 March 2013 by the Final Subscription Trustee.

Other than the issue of ordinary shares following the exercise of rights attached to the subscription shares as detailed above, no shares were issued during the year (2012: nil).

SHARE REPURCHASES

At the Annual General Meeting held on 14 May 2013 the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to 17,081,829 ordinary shares in the market for cancellation. A total of 100,000 ordinary shares were repurchased for cancellation during the year (2012: 638,000). The authority expires on 14 May 2014 and a special resolution to renew the authority will therefore be put to shareholders for approval at the forthcoming Annual General Meeting.

No shares have been repurchased since the year end. The issued share capital as at 26 March 2014 was 113,954,834.

PREMIUM/DISCOUNT MANAGEMENT: ENHANCING SHAREHOLDER VALUE

The Directors recognise the importance to investors of the relationship between the Company's share price and the net asset value per share and monitor the share rating closely. The Board seeks authority from shareholders each year to issue new shares at a premium or repurchase shares for cancellation at a discount to the NAV. It will only use these authorities to enhance the net asset value and to protect or improve the premium/discount rating of the shares.

SUBSTANTIAL SHARE INTERESTS

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

Shareholders	%
FIL Limited[1]	18.99
1607 Capital Partners, LLC[2]	13.14
Wells Capital Management[2]	11.03
Miton Asset Management[2]	8.47
Lazard Asset Management[2]	7.78
Ecclesiastical Investment Management[3]	4.29
Wesleyan Assurance[2]	4.16
Barclays Stockbrokers[2]	3.11

1 Direct holding on own account (7.21%) and Fidelity ISA/Share Plan Clients (11.78%)
2 Direct holding for clients
3 Direct holding on own account and for clients

Analysis of ordinary shareholders	As at 31 December 2013 % of issued share capital
Retail Investors[1]	39.24
Asset Managers	30.96
Insurance Companies	12.00
Mutual Funds	8.47
Pension Funds	8.04
Charities	0.68
Securities Companies' Trading Accounts	0.37
Hedge Funds	0.24
	100.00

1 Includes Share Plan and ISA investors

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

Directors' Report

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.

GREENHOUSE GAS EMISSIONS

The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. FIL Investments International is registered with the Carbon Reduction Commitment Energy Efficiency Scheme administered by the Environment Agency.

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 11 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,424,435. If passed, this resolution will enable the Directors to allot a maximum of 5,697,741 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company as at 26 March 2014. 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 dis-applying their pre-emption rights.

Resolution 12 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities 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 £1,424,435 (approximately 5% of the issued ordinary share capital of the Company as at 26 March 2014).

The authority to issue ordinary shares for cash under Resolutions 11 and 12 will enable the Directors to issue additional new ordinary shares to participants in the Fidelity Investment Trust Share Plan and Fidelity ISA in the event that the ordinary shares are trading at a premium to their NAV.

Resolution 13 is a special resolution which renews the Company's authority to purchase through the London Stock Exchange up to 17,081,829 ordinary shares of 25 pence (equivalent to 14.99% of the ordinary shares in issue at 26 March 2014) for cancellation. 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.

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.

Adoption of New Articles of Association

Resolution 14 is being proposed as a special resolution and relates to the adoption of new Articles of Association (the **New Articles**) which update the Company's existing Articles of Association.

There have been a number of recent changes to tax, regulation and company law which affect investment trusts and the Company. The Board is therefore seeking approval to adopt the New Articles, substantially in the form of the existing Articles, but updated to reflect these changes.

In particular:

1. As a result of changes in tax law, the Companies Act 2006 has been amended to remove the requirement that an investment company's articles of association must prohibit a distribution of realised capital profits and so it is now possible for such companies to pay dividends out of capital profits. It is therefore proposed that the Company's Articles should be updated to give the Company this greater flexibility in line with tax and company laws. The Board has no current intention to pay dividends out of capital profits but believes that it is in shareholders' best interests for the Board to have this power should circumstances warrant its use in the future.

Directors' Report

2. The Company is an alternative investment fund for the purposes of the Alternative Investment Fund Managers Directive ("AIFMD"). The proposed New Articles have therefore also been updated in order to incorporate the powers that may be granted to the Board as a result of the implementation of AIFMD. In particular, it is proposed to include a new Article 132, expressly granting the Board the authority to allow a depositary to be discharged from liability for loss of financial instruments held in custody in accordance with the limited circumstances permitted by Article 21 of AIFMD.

A copy of the existing Articles of Association and the proposed New Articles (showing all changes to the existing Articles), are available for inspection at the registered office of the Company and at 25 Cannon Street, London EC4M 5TA and will be made available for inspection at the Company's forthcoming Annual General Meeting at least 15 minutes prior to the start of the meeting and up until the close of the meeting.

The full text of the resolutions is set out in the Notice of Meeting contained on pages 58 and 59.

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. 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, which forms part of this Directors' Report, and can be found on pages 27 to 31.

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 proposing the reappointment of Grant Thornton UK LLP 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 Strategic Report on pages 11 to 14. The financial position of the Company, its cash flows, liquidity position and gearing are described in the Financial Statements and Notes thereto on pages 41 to 56. 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 in the Strategic Report on pages 11 to 14 and in the Notes to the Financial Statements on pages 45 to 56.

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.

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. In the light of the above, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

CONTINUATION VOTE

In accordance with the Articles of Association of the Company, continuation votes are held every three years. The next such vote is scheduled to take place in 2016.

By Order of the Board
FIL Investments International
Secretary
26 March 2014

Corporate Governance Statement

The Company is committed to high standards of corporate governance. Accordingly, the Board has put in place a framework for corporate governance which it believes is appropriate for an investment trust company. 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 the governance issues relevant to investment companies and how boards can satisfy any applicable requirements under the UK Corporate Governance Code ("UK Code") as well as setting out additional principles and recommendations on issues that may be 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 UK Code, will provide better information to shareholders. The AIC Code and AIC Guide may be found at www.theaic.co.uk.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code and associated disclosure requirements of the Listing Rules except as set out below. The UK Code includes provisions relating to:

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

For the reasons set out in the AIC Guide and as explained in the UK Code, the Board considers that these provisions are not relevant to the Company, given its status as an externally managed investment company and the fact that it has no employees. The Company has therefore not reported in respect of these provisions.

Under the terms of the AIC Code and UK Code, Simon Fraser is considered to be a non-independent Director as he was employed by the Manager until the end of December 2008. The Board considers that he is free from any business or other relationship which might 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 BOARD AND ITS COMMITTEES

THE BOARD

The Board of Directors is responsible for the effective stewardship of the Company's affairs and for promoting the long term success of the Company. The Board has adopted a formal schedule of matters reserved for its decision. It has responsibility for all corporate strategic issues, corporate governance matters, capital structure (including share issues and repurchases), gearing policy, financial reporting, risk management, investment performance, share price discount management, the appointment of the Company Secretary and Board appointments. The Company's investment policy is detailed on pages 11 and 12.

The Company does not have a chief executive and day-to-day management of the Company, including the management of the investment portfolio, is delegated to the Manager. 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.

The Board currently consists of five 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 and knowledge of the Company to discharge its duties and provide effective strategic leadership and proper governance of the Company. The Board considers that lengthy service does not of itself compromise independence; indeed continuity on the Board, experience and knowledge are of positive benefit. There is nonetheless recognition that refreshing the composition of the Board from time to time can be beneficial and tenure is one of the matters considered when reviewing the composition of the Board and whether a Director should stand for re-election. As detailed in the Chairman's Statement, the Company will seek to recruit an additional Director during the course of 2014.

The Board considers that all of the Directors' are independent with the exception of Simon Fraser, who acted as the Company's Portfolio Manager from its launch in 1994 until August 1997. In addition he formerly held the position of Fidelity's Chief Investment Officer for the Asia/Pacific region and Chief Investment Officer for Fidelity International. His career with Fidelity spanned 27 years and given this long association, together with his directorship of Fidelity European Values PLC, the Board does not consider it appropriate to regard him as being independent of the Manager. As stated above, the Board does not consider that lengthy service of itself compromises a Director's independence and it is considered that, despite having served for more than nine years, both Philip Kay and David Miller continue to be independent in character and judgement. It is the policy of the Board that Directors who have served for more than nine years are subject to annual re-election by the Shareholders at the Annual General Meeting. It is considered that, in practice, all the Directors are free from any current relationship which could materially interfere with the exercise of their independent judgement and are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively.

Biographical details of the current Directors including their relevant directorships are given on page 22 of this report.

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

Corporate Governance Statement

	Regular Board Meetings	Nomination Committee Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
David Robins	5/5	1/1	3/3	1/1
Simon Fraser	5/5	1/1	3/3	n/a
Philip Kay	5/5	1/1	3/3	1/1
Sir Laurence Magnus	5/5	1/1	3/3	1/1
David Miller	5/5	1/1	3/3	1/1

(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.)

BOARD MEETINGS

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

SENIOR INDEPENDENT DIRECTOR

The Senior Independent Director fulfils the role as a sounding board for the Chairman and as intermediary for other non-executive Directors where necessary. Following Nicholas Barber's retirement on 31 December 2012, David Miller took over as the Senior Independent Director and he has held this position during the year under review.

COMPANY SECRETARY

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 TO DIRECTORS

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 Committees, membership of which is set out on pages 29 and 30. 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, the Company's Articles of Association and the AIC Code. The Nominations Committee is responsible for identifying possible candidates for consideration by the Board. Whilst the Board takes the lead in the appointment of new Directors, any proposal for a new Director will be discussed and approved by the independent Board members. External consultants are also used to identify potential candidates.

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 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

Corporate Governance Statement

Company Secretary regarding any proposed developments or changes in law or regulations that affect the Company and/or the Directors.

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 at least every three years. Directors who have served on the Board for more than nine years are subject to annual re-election.

Simon Fraser will retire both in accordance with the provisions of the Listing Rules and the Board's policy that Directors serving for more than nine years seek annual re-election. For the reasons stated on page 27, the Board does not consider Simon Fraser to be independent. The Nomination Committee considers that Simon Fraser's knowledge of the Manager together with his knowledge and experience of Japan and, in particular investment in Japan, are of enormous benefit and the Board recommends that shareholders vote in favour of his re-election. Philip Kay and David Miller have each served for more than nine years and will therefore stand for re-election annually. In addition, David Robins and Sir Laurence Magnus both retire in accordance with the Articles of Association and seek re-election. The Nomination Committee has considered the performance and contribution of each of the Directors standing for re-election and has concluded that each remains an effective member of the Board. Accordingly, the Committee recommends their re-election at the forthcoming Annual General Meeting to shareholders.

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.

DIRECTORS' REMUNERATION

The level of Directors' fees is determined by the whole Board and therefore a separate Remuneration Committee has not been appointed. Full details of the Company's Remuneration Policy and Directors' fees are disclosed in the Directors' Remuneration Report on page 35.

BOARD COMMITTEES

The Board has established three committees, as set out opposite. Terms of reference for each committee are available on the Company's pages of the Manager's website (www.fidelity.co.uk/its).

The Audit Committee

The Audit Committee consists of all of the independent Directors and is Chaired by Sir Laurence Magnus. Full details of the Company's Audit Committee has been disclosed in the Report of the Audit Committee on pages 32 and 33.

The Nominations Committee

The Committee consists of all of the Directors (as there is no reason to exclude any Director) and is Chaired by David Robins. The Committee is charged with nominating new Directors for consideration by the Board, 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. As part of this process; external consultants are used to identify potential candidates. No such consultant was used during the year under review. The Nomination 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.

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 to 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 Directors. Care is taken to ensure that appointees have enough time to devote to the role.

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

The Management Engagement Committee

The Committee consists of all of the independent Directors and is chaired by David Robins. 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 Committee is responsible for reviewing the performance of the Manager and the terms of the management agreement to ensure that it is competitive and in the interests of shareholders; and making recommendations to the Board concerning any proposed amendment to the terms of the management agreement.

Corporate Governance Statement

In reviewing the performance of the Manager the Committee considers a range of factors including:

- 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 relations, discount management and commitment to the Company's goals;
- Management Agreement – consideration of fees, notice period and duties; and
- 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 2013. Having reviewed the criteria set out above, the Committee concluded that it was in the interests of shareholders as a whole that the Management and Secretarial Services Agreement should continue.

Details of the Management and Secretarial Services Agreement may be found in the Directors' Report on page 23.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

Set out on page 38 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 pages 39 and 40.

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Company's systems of risk management and internal control and for reviewing their effectiveness. The identification, control and evaluation of risk is assessed quarterly and a regular internal controls report is provided by the Manager. The systems of risk management and internal control are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has contractually delegated to external agencies, including the Manager, the management of the investment portfolio, the custodial services, 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 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 maintained on behalf of the Company and meets a representative of the Manager's Internal Audit team at least twice a year. The Chairman of the Audit Committee has direct access to the Manager's Internal Audit function 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", 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 risk management and internal control systems throughout the year ended 31 December 2013. 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"). The Board has received assurances from the Manager that it is committed to providing the highest level of service to its customers and to applying the highest standards of quality, honesty, integrity and probity. The aim of the policy is to encourage employees and others working for Fidelity to assist the Company in tackling fraud, corruption and other malpractice and in setting standards of ethical conduct. This policy has been endorsed accordingly by the Board.

Corporate Governance Statement

BRIBERY ACT 2010

The Company is committed to carrying out business fairly, honestly and openly. The Board recognises the benefits this has to reputation and business confidence.

The Board, the Manager, the Manager's employees and others acting on the Company's behalf, are expected to demonstrate high standards of behaviour when conducting business.

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

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.

RELATIONS WITH 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 page 64. All shareholders, particularly individual shareholders, are encouraged to attend the Annual General Meeting at which there is always a presentation by the Portfolio Manager 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 and are available to the meeting and are disclosed on the Company's page of the Manager's website (www.fidelity.co.uk/its).

ANNUAL GENERAL MEETING

The Notice of Meeting on pages 58 to 60 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 and the 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 twenty working days before the meeting.

THE COMPANY'S ARTICLES OF ASSOCIATION

At the Annual General Meeting a special resolution will be proposed to alter the Company's Articles of Association. Further details can be found on pages 25 and 26.

On behalf of the Board

David Robins
Chairman
26 March 2014

Report of the Audit Committee

As Chairman of the Audit Committee ("Committee"), I am pleased to present the first formal report of the Committee to shareholders on the role and responsibilities of the Committee and the effectiveness of the external audit process and how this has been assessed for the year ended 31 December 2013.

COMPOSITION

The Committee consists of all of the Directors because the Board feels that it is important to have all Directors represented due to their skill and experience. The Committee considers that, collectively, its members have sufficient recent and relevant financial experience to discharge their responsibilities.

ROLE AND RESPONSIBILITIES

The Committee's authority and duties are clearly defined in its terms of reference which are available on the Company's pages of the Manager's website (www.fidelity.co.uk/its). These duties include:

- Monitoring the integrity of the financial statements of the Company and reviewing the half-yearly and annual financial statements of the Company prior to their submission to the Board for approval to ensure they are fair, balanced and understandable;
- Discussing with the external Auditor the nature and scope of the audit and reviewing the external Auditor's quality control and procedures, 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 and seeking appropriate disclosures and comfort from the Auditor;
- Reviewing the appropriateness of the Company's accounting policies;
- Responsibility for making recommendations on the appointment, reappointment and removal of the external Auditor;
- Reviewing and approving the audit fee;
- Reviewing the external Auditor's plan for the audit of the Company's financial statements;
- Considering the scope of work undertaken by the Manager's internal audit department; reviewing the Company's procedures for detecting fraud; and reviewing the effectiveness of the internal control system (including financial, operational and compliance controls and risk management); and
- Reviewing the Company's compliance with the requirements for investment trust status pursuant to Sections 1158 and 1159 of the Corporation Tax Act 2010.

MEETINGS AND BUSINESS

The Committee met three times during the reporting year and once with the external Auditor. Attendance by each Director is shown in the table on page 28.

The following matters were dealt with at these meetings:

March 2013	• Review of the Company's risk and control framework • Review of the Going Concern statement • Review of compliance with Corporate Governance and regulatory requirements • Review of the Annual Report and Financial Statements and recommendation of their approval to the Board • Review of the Auditor's findings, performance and independence, including a private meeting with the Auditors • Review of the risk associated with cybercrime
July 2013	• Review of the Company's risk and control framework • Review of the half-yearly report and recommendation of its approval to the Board • Review of the Committee's Terms of Reference
November 2013	• Review of the Auditor's engagement letter and audit plan for the Company's year ending 31 December 2013

Report of the Audit Committee

ANNUAL REPORT AND FINANCIAL STATEMENTS

The Annual Report and Financial Statements are the responsibility of the Board and the Directors' Responsibility Statement is on page 38. The Audit Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise and on any specific areas which require judgement.

During the year the Committee considered certain significant issues in relation to the Annual Report and Financial Statements. These are set out in the table below, including how they were addressed.

Going Concern	The Going Concern statement is set out in the Directors' Report on page 26. The Committee is satisfied that the Board continues to adopt the going concern basis of accounting in preparing the annual financial statements.
Valuation, existence and ownership of investments (including derivatives)	The valuation of investments (including derivatives) is in accordance with accounting policy Notes 1(g) and 1(h) on pages 45 and 46. The Audit Committee satisfied itself that the Company's Auditor has verified the valuation of investments and derivatives by reference to independent sources and has also confirmed the existence and ownership of the investments with the Company's independent Custodian and that of the derivatives with the Company's Counterparties.
Compliance with Sections 1158 and 1159 of the Corporation Tax Act 2010	The Company carries on business as an investment trust and has been granted approval as such by HM Revenue & Customs under Sections 1158 and 1159 of the Corporation Tax Act 2010. The Committee reviews the Company's ongoing compliance with the requirements for investment trust status.
Principal Risks and Uncertainties	The Audit Committee reviews the principal risks and uncertainties facing the Company and evaluates them according to the likelihood of the risk occurring and the impact the risk may have on the Company. Further details can be found on pages 12 to 14.

APPOINTMENT OF THE EXTERNAL AUDITOR

Grant Thornton UK LLP acts as the Company's Auditor. The Committee reviewed the independence of the Auditor and the effectiveness of the audit process prior to recommendation to the Board of a resolution proposing Grant Thornton's reappointment at the forthcoming Annual General Meeting.

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

- the personnel in the audit plan for the year;
- the Auditor's arrangements for any conflicts of interest;
- the extent of any non-audit services; and
- the statement by the Auditor that they remain independent within the meaning of the regulations and their professional standards.

With regard to effectiveness of the audit process, the Committee reviewed:

- fulfilment by the Auditor of the agreed audit plan;
- the audit report issued by the Auditor in relation to the audit of the Annual Report and Financial Statements for the year ended 31 December 2013; and
- feedback from the Manager.

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. The Company's audit partner cannot act for more than 5 years. Julian Bartlett became the Company's audit partner from the year ended 31 December 2011. There are no contractual obligations that restrict the Committee's choice of Auditor.

Sir Laurence Magnus
Chairman of the Audit Committee
26 March 2014

Directors' Remuneration Report

CHAIRMAN'S STATEMENT

The Directors' Remuneration Report for the year ended 31 December 2013 has been prepared in accordance with Section 421 of the Companies Act 2006, The Large & Medium-sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 and The Enterprise & Regulatory Reform Act 2013. Ordinary resolutions to approve both the Remuneration Policy and the Directors' Remuneration Report will be put to shareholders for their consideration at the Annual General Meeting to be held on 14 May 2014. The Company's Auditor is required to audit certain sections of this report and where such disclosures have been audited, the specific section has been indicated as such. The Auditor's opinion is included in its report on pages 39 and 40.

The Board, due to its size and the fact that it is an investment trust and has no employees, does not consider it necessary to have a separate Remuneration Committee. Instead the entire Board carry out the function of a Remuneration Committee under my Chairmanship.

DIRECTORS' REMUNERATION

During the year ended 31 December 2013 the Board's fees were paid at the following rates: Chairman: £30,000; Chairman of the Audit Committee: £23,000; and Directors: £20,000. There has been no increase in these fees since the year end.

The level of fees paid to the Directors was last reviewed on 18 March 2013. The level of fees has remained unchanged since 13 March 2012 and prior to that date fees were payable at the following rates: Chairman: £31,000; Chairman of the Audit Committee: £20,000; and Directors: £20,000. The reviews undertaken in 2012 and 2013 were based on information provided by the Company's Manager, Fidelity, and research from third parties and reference was made to the fees of other similar investment trusts. The Board has not employed remuneration consultants for the year under review.

THE REMUNERATION POLICY

The Remuneration Policy is subject to a binding vote, in the form of an ordinary resolution at every third Annual General Meeting. A binding vote means that if it is not successful the Board will be obliged to revise the policy and seek further shareholder approval at a General Meeting specially convened for that purpose. As the Board is comprised entirely of non-executive Directors and has no employees, many parts of the Large & Medium Sized Companies & Groups (Accounts and Reports) (Amendment) Regulations 2013, in particular those relating to Chief Executive Officer pay and employee pay, do not apply and are therefore not discussed in this report.

The Company's Articles of Association limit the aggregate fees payable to each Director to £50,000 per annum. Subject to this overall limit, it is the Board's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil, the time committed to the Company's affairs and the responsibilities and potential liabilities, both financial and reputational. There are no performance related conditions attached to the remuneration of the Board and the Board are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other non-cash benefits or taxable expenses. No other payments are made to Directors other than reasonable out of pocket expenses which have been incurred as a result of attending to the affairs of the Company.

The level of Directors' fees are determined by the whole Board. Directors do not vote on their own fees. Levels of fees are considered in terms of their competitiveness and whether they are sufficient to attract and retain the standard of Directors needed to manage the Company successfully. The Board review the Company's Remuneration Policy and the remuneration of the Board as a whole on an annual basis. Reviews are based on information provided by the Company's Manager, FIL Investments International ('Fidelity') and research from third parties and it includes information on the fees of other similar investment trusts.

No Director has a service contract with the Company. New Directors are provided with a letter of appointment which, amongst other things, provides that their appointment is subject to the Companies Act 2006 and the Company's Articles of Association. Copies of the Directors' letters of appointment are available at each of the Company's Annual General Meetings and can be obtained from the Company's registered office.

The Directors are not entitled to exit payments and are not provided with any compensation for loss of office.

Position	Salary or fees	Other taxable benefits	Performance Related Pay or Benefits	Performance Related Pay or Benefits of periods more than 1 year	Pension Related Benefits	Loss of office
Chairman	Fees	n/a	n/a	n/a	n/a	n/a
Senior Independent Director	Fees	n/a	n/a	n/a	n/a	n/a
Audit Chairman	Fees	n/a	n/a	n/a	n/a	n/a
All other Board Members	Fees	n/a	n/a	n/a	n/a	n/a

Directors' Remuneration Report

The Company, in line with most investment trusts, has no Chief Executive Officer or employees.

The opinion of shareholders has not been sought in preparing the Remuneration Policy and no communication has been received from shareholders with regard to the Company's Remuneration Policy or Directors' fees.

The Company's remuneration policy will apply to new Board members, who will be paid the equivalent amount of fees as current Board members. It has been followed throughout the year under review but will be formalised for the first time at the Company's forthcoming Annual General Meeting to be held 14 May 2014 and it will take effect from that date.

IMPLEMENTATION OF THE REMUNERATION POLICY

This refers to the way in which the Remuneration Policy has been implemented during the year ended 31 December 2013. The Directors' Remuneration Report will be put to shareholders by way of an ordinary resolution at each Annual General Meeting. This is a non-binding 'advisory' resolution. In the event that shareholders vote against the resolution, the Board will be required to put its Remuneration Policy for shareholder approval at the next Annual General Meeting, regardless of whether the Remuneration Policy was approved by shareholders within the last three years.

Voting at the Company's last Annual General Meeting

At the Annual General Meeting held on 14 May 2013 96.52% of votes were cast in favour (or granted discretion to the Chairman of the meeting who cast them in favour) of the Directors' Remuneration Report for the year ended 31 December 2012, 2.93% of votes were cast against and 0.55% of votes were withheld. At the Annual General Meeting to be held on 14 May 2014, for the first time, the Company's Remuneration Policy and the Directors' Remuneration Report will be put to shareholders and the votes cast at that meeting with regard to the two new resolutions will be released to the market via a regulatory news service provider and disclosed in the Remuneration Report for the year to 31 December 2014 and on the Company's website.

Single Total Figure of Remuneration

The single total aggregate Directors' remuneration for the year under review was £113,000 (2012: £140,000). Information on individual Directors' fees is shown below.

REMUNERATION OF DIRECTORS (AUDITED)	2013 Fees (£)	2012 Fees (£)	2014 Projected Fees (£)
David Robins[1]	30,000	27,000	30,000
Simon Fraser	20,000	20,000	20,000
Philip Kay	20,000	20,000	20,000
Sir Laurence Magnus	23,000	22,000	23,000
David Miller	20,000	20,000	20,000
Nicholas Barber[2]	nil	20,000	n/a
William Thomson[3]	nil	11,000	n/a
Total	**113,000**	**140,000**	**113,000**

1 Appointed Chairman with effect from 10 May 2012
2 Resigned as a Director with effect from 31 December 2012
3 Resigned as Chairman and a Director with effect from 10 May 2012

Directors' fees are paid monthly in arrears. Directors do not have a notice period to serve if their appointment were to be terminated.

Directors' Remuneration Report

Expenditure on Remuneration and Distributions to Shareholders

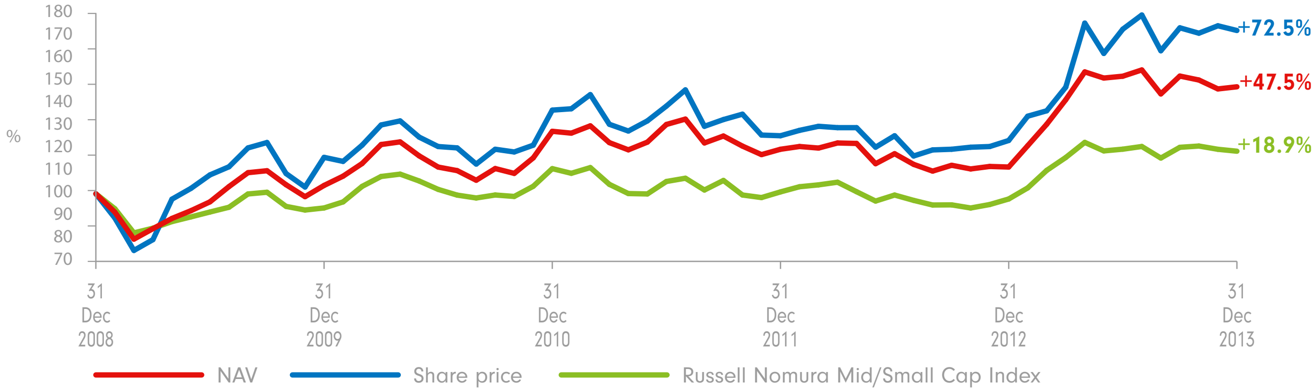
The table below shows the total amount paid out in remuneration and distribution to shareholders for the financial years to 31 December 2012 and 31 December 2013.

	31 December 2013 £	31 December 2012 £
Expenditure on Remuneration:		
– Aggregate Directors' Fees	113,000	140,000
Distribution to Shareholders:		
– Dividend payments	nil	nil
– Shares repurchased	59,000	328,000

Performance

The Company's investment objective is to achieve long term capital growth from an actively managed portfolio of securities primarily of small and medium sized Japanese companies listed or traded on Japanese stockmarkets. The Company's performance is measured against the Russell Nomura Mid/Small Cap Index as this is the most appropriate in respect of its asset allocation. The following graph shows performance over five years to 31 December 2013.

Performance from 1 January 2009 to 31 December 2013 (on a total return basis)



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

Directors' Remuneration Report

Directors' Interest in Shares

There is no requirement for the Directors to hold shares in the Company, but the ownership of shares by Directors is encouraged. The Directors holdings in the shares of the Company are shown below:

Directors' Shareholdings (audited)

Ordinary Shares Director	31 December 2013	31 December 2012	Change during year
David Robins	10,000	10,000	nil
Simon Fraser[1]	18,000	35,000	(17,000)
Philip Kay[2]	12,183	10,153	2,030
Sir Laurence Magnus	40,000	40,000	nil
David Miller	20,000	20,000	nil
Nicholas Barber (resigned 31 December 2012)	n/a	10,000	n/a

All Holdings beneficial

1 At 31 December 2012 included an interest in 20,000 ordinary shares as a shareholder of Triptych SA ("Triptych"). During the year ended 31 December 2013, 3,000 ordinary shares were acquired following the exercise of subscription shares by Mr Fraser, an interest over 4,000 ordinary shares was acquired following the exercise of subscription shares by Triptych and 24,000 ordinary shares were sold by Triptych

2 During the year ended 31 December 2013, 2,030 ordinary shares were acquired following the exercise of subscription shares

Subscription Shares Director	31 December 2013	31 December 2012	Change during year
David Robins	nil	nil	nil
Simon Fraser[1]	nil	7,000	(7,000)
Philip Kay[2]	nil	2,030	(2,030)
Sir Laurence Magnus	nil	nil	nil
David Miller[3]	nil	4,000	(4,000)
Nicholas Barber (resigned 31 December 2012)	n/a	2,000	n/a

1 At 31 December 2012 included an interest in 4,000 subscription shares as a shareholder of Triptych SA ("Triptych"). During the year ended 31 December 2013 3,000 subscription shares were exercised by Mr Fraser and 4,000 subscription shares were exercised by Triptych

2 During the year ended 31 December 2013, 2,030 subscription shares were exercised

3 During the year ended 31 December 2013, 4,000 subscription shares lapsed

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

On behalf of the Board

David Robins
Chairman
26 March 2014

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss for the period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations the Directors are also responsible for preparing a Strategic Report, a Directors' Report, a Corporate Governance Statement and a Directors' Remuneration Report that comply with that law and those regulations.

The Directors have delegated responsibility for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website 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 Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties it faces. We confirm that we consider that the annual report and accounts, taken as a whole, is fair balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business and strategy.

Approved by the Board on 26 March 2014 and signed on its behalf.

David Robins
Chairman

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 2013 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, 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 Directors' Responsibilities Statement set out on page 38, 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 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 Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

AUDITOR COMMENTARY

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers. Accordingly, our audit work is focused on obtaining an understanding of, and evaluating, internal controls at the Company and relevant third-party service providers. This included a review of reports on the description, design and operating effectiveness of internal controls at the relevant third-party service providers. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information, would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We established materiality for the financial statements as a whole to be £0.913m, which is 1% of the Company's total assets. For the Income Statement we determined that misstatements for a lesser amount than materiality for the financial statements as a whole would make it probable that the judgement of a reasonable person, relying on the information, would have been changed or influenced by the misstatement or omission. Accordingly, we established materiality for the revenue column of the income statement to be £0.228m.

We have determined the threshold at which we communicate misstatements to the Audit Committee to be £0.046m. In addition, we communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Our assessment of risk

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, balances or disclosures.

Investments

The Company's business is investing in financial assets with a view to profit from the total return in the form of revenue and capital gains. Accordingly, the investment portfolio totalling £89.873m which includes long Contracts For Difference (CFDs), is a significant and material item in the Balance Sheet. The recognition and measurement of the investment portfolio is therefore a risk that requires particular audit attention.

Our audit work included, but was not restricted to, understanding management's process to recognise and measure the investment portfolio including ownership of those securities. We obtained confirmation of investments and CFDs held at the year-end directly from the independent custodian, tested the reconciliation of the custodian records to the records maintained by the Company's administrator, and tested a selection of investment and CFD additions and disposals shown in the Company's records to supporting documentation. We agreed the valuation of quoted investments to an independent source of market prices and we tested the determination of the valuation of CFDs by agreement of the contract price to the report from the independent custodian and the settlement price to an independent source of market prices.

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

The Company's accounting policies on the valuation of investments and derivative instruments are included in Note 1 and the disclosures about investments and derivatives held at year end are included in Notes 8 and 9 respectively.

Recognition of income from Investments
Investment income is the Company's major source of revenue. According to the Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', revenue should be recognised when the Company's right to the income is established, in line with the Company's stated accounting policy. We therefore identified the recognition of revenue from the investment portfolio as a significant risk requiring particular audit attention.

Our audit work included, but was not restricted to, assessing whether the Company's accounting policy conforms with United Kingdom Generally Accepted Accounting Practice, testing the income recognised in accordance with that policy, and selecting a sample of investments and CFDs held in the period to determine whether the income that should have been recognised had been received and recorded. We also assessed whether any of the dividends should have been treated as capital receipts.

The Company's accounting policy on the recognition of income from investments is included in Note 1 and the components of that revenue are included in Note 2.

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 2013 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.

OTHER REPORTING RESPONSIBILITIES

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 Strategic Report and 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 ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable, and whether the Annual Report appropriately discloses those matters that were communicated to the audit committee which we consider should have been disclosed.

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 page 26, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Julian Bartlett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
27 March 2014

Income Statement for the year ended 31 December 2013

	Notes	2013 revenue £'000	2013 capital £'000	2013 total £'000	2012 revenue £'000	2012 capital £'000	2012 total £'000
Gains/(losses) on investments designated at fair value through profit or loss	8	–	13,932	13,932	–	(6,376)	(6,376)
Gains on derivative instruments held at fair value through profit or loss	9	–	9,665	9,665	–	2,635	2,635
Income	2	1,440	–	1,440	1,289	–	1,289
Investment management fee	3	(1,076)	–	(1,076)	(757)	–	(757)
Other expenses	4	(479)	–	(479)	(441)	–	(441)
Foreign exchange losses on other net assets		(59)	(654)	(713)	–	(384)	(384)
Net (loss)/return before finance costs and taxation		(174)	22,943	22,769	91	(4,125)	(4,034)
Finance costs	5	(73)	–	(73)	(76)	–	(76)
Net (loss)/return on ordinary activities before taxation		(247)	22,943	22,696	15	(4,125)	(4,110)
Taxation on (loss)/return on ordinary activities	6	(84)	–	(84)	(70)	–	(70)
Net (loss)/return on ordinary activities after taxation for the year		(331)	22,943	22,612	(55)	(4,125)	(4,180)
(Loss)/return per ordinary share – undiluted and diluted	7	(0.30p)	20.64p	20.34p	(0.06p)	(4.24p)	(4.30p)

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 45 to 56 form an integral part of these financial statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2013

	Note	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 as at 1 January 2012		25,225	698	2,437	57,955	(10,364)	(13,416)	62,535
Issue of ordinary shares on exercise of rights attached to subscription shares	12	3	4	–	–	–	–	7
Exercise of rights attached to subscription shares and conversion into ordinary shares	12	(1)	1	–	–	–	–	–
Repurchase of ordinary shares	12	(159)	–	159	(328)	–	–	(328)
Net loss on ordinary activities after taxation for the year		–	–	–	–	(4,125)	(55)	(4,180)
Closing shareholders' funds as at 31 December 2012		25,068	703	2,596	57,627	(14,489)	(13,471)	58,034
Issue of ordinary shares on exercise of rights attached to subscription shares	12	4,308	5,147	–	–	–	–	9,455
Exercise of rights attached to subscription shares and conversion into ordinary shares	12	(862)	862	–	–	–	–	–
Repurchase of ordinary shares	12	(25)	–	25	(59)	–	–	(59)
Net return/(loss) on ordinary activities after taxation for the year		–	–	–	–	22,943	(331)	22,612
Closing shareholders' funds as at 31 December 2013		28,489	6,712	2,621	57,568	8,454	(13,802)	90,042

The Notes on pages 45 to 56 form an integral part of these financial statements.

Balance Sheet as at 31 December 2013

Company number 2885584

	Notes	2013 £'000	2012 £'000
Fixed assets			
Investments designated at fair value through profit or loss	8	84,031	55,087
Current assets			
Derivative assets held at fair value through profit or loss	9	6,263	1,941
Debtors	10	309	2,632
Cash at bank		662	674
		7,234	5,247
Creditors			
Derivative liabilities held at fair value through profit or loss	9	(421)	(301)
Creditors	11	(802)	(1,999)
		(1,223)	(2,300)
Net current assets		6,011	2,947
Total net assets		90,042	58,034
Capital and reserves			
Share capital	12	28,489	25,068
Share premium account	13	6,712	703
Capital redemption reserve	13	2,621	2,596
Other reserve	13	57,568	57,627
Capital reserve	13	8,454	(14,489)
Revenue reserve	13	(13,802)	(13,471)
Total equity shareholders' funds		90,042	58,034
Net asset value per ordinary share			
Undiluted	14	79.02p	59.94p
Diluted	14	n/a	59.19p

The financial statements on pages 41 to 56 were approved and authorised by the Board of Directors on 26 March 2014 and were signed on its behalf by:

David Robins
Chairman

The Notes on pages 45 to 56 form an integral part of these financial statements.

Cash Flow Statement for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Operating activities			
Investment income received		979	917
CFD dividends received		278	294
Investment management fee paid		(992)	(790)
Directors' fees paid		(82)	(182)
Other cash payments		(272)	(471)
Net cash outflow from operating activities	15	(89)	(232)
Finance costs			
Interest paid on long CFDs		(73)	(76)
Net cash outflow from finance costs		(73)	(76)
Financial investments			
Purchase of investments		(98,848)	(51,491)
Disposal of investments		84,792	48,137
Net cash outflow from financial investments		(14,056)	(3,354)
Derivative activities			
Proceeds of long CFD positions closed		5,463	986
Net cash inflow from derivative instruments		5,463	986
Net cash outflow before financing		(8,755)	(2,676)
Financing			
Exercise of rights attached to subscription shares		9,456	6
Repurchase of ordinary shares		(59)	(328)
Net cash inflow/(outflow) from financing		9,397	(322)
Increase/(decrease) in cash	16	642	(2,998)

The Notes on pages 45 to 56 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 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 January 2009.

a) Basis of accounting – The financial statements have been prepared on a going concern basis and under the historical cost convention, except for the measurement at fair value of fixed asset investments and derivative assets and liabilities, and on the assumption that approval as an investment trust will continue to be granted by HM Revenue & Customs.

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 dividends are stated gross of withholding tax. Interest receivable on short term deposits is dealt with on an accruals basis. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in the revenue column of the Income Statement. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in the capital column of the Income Statement. Derivative income from dividends on long contracts for difference ("CFDs") is included in 'income' and recognised in the revenue 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 – All expenses are accounted for on an accruals basis and are charged in full to the revenue column of the Income Statement.

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 UK sterling. Transactions denominated in foreign currencies are translated into UK 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 movements on the translation of foreign currency assets and liabilities, are dealt with in the capital column of the Income Statement.

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. Accordingly, investments are designated by the Company as "at fair value through profit or loss", which is initially taken to be their cost, and subsequently the investments are valued at fair value, which is measured as follows:

- Investments listed overseas are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed, 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 49.

Notes to the Financial Statements

1 ACCOUNTING POLICIES continued

h) Derivative instruments – Some of the Company's exposure to Japanese equities is 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 of the contract and the fair value of the underlying shares in the contract, which is calculated in accordance with policy 1(g). Gains and losses in the fair value of the CFDs are included in the 'Gains/(losses) on derivative instruments held at fair value through profit or loss' in the capital column of the Income Statement. Income received from dividends on long CFDs is included in 'Income' and the interest paid on long CFDs is included in 'Finance costs' in the revenue column of the Income Statement.

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

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

As a result of technical guidance 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

	2013 £'000	2012 £'000
Income from investments designated at fair value through profit or loss		
Overseas dividends	1,138	1,005
Income from derivatives held at fair value through profit or loss		
Dividends on long CFDs	302	284
Total income	1,440	1,289

3 INVESTMENT MANAGEMENT FEE

	2013 £'000	2012 £'000
Investment management fee	1,076	757

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

Notes to the Financial Statements

4 OTHER EXPENSES

	2013 £'000	2012 £'000
AIC fees	6	6
Custody fees	13	10
Directors' expenses	40	38
Directors' fees[1]	113	140
Legal and professional fees	45	38
Marketing expenses[2]	100	62
Printing and publication expenses	54	45
Registrars' fees	31	24
Other expenses	54	56
Fees payable to the Company's Auditor for the audit of the annual financial statements	23	22
	479	441

1 Details of the breakdown of Directors' fees are provided on page 35 within the Directors' Remuneration Report
2 The 2012 marketing expenses were reduced by an underspend brought forward from the previous year

5 FINANCE COSTS

	2013 £'000	2012 £'000
Interest paid on long CFDs	73	76

Notes to the Financial Statements

6 TAXATION ON RETURN ON ORDINARY ACTIVITIES

a) Analysis of taxation charge for the year

	2013 revenue £'000	2013 capital £'000	2013 total £'000	2012 revenue £'000	2012 capital £'000	2012 total £'000
Overseas taxation suffered (Note 6b)	84	–	84	70	–	70

b) Factors affecting the taxation charge for the year
The taxation assessed for the year is lower than the standard rate of UK corporation tax for an investment trust company of 23.25% (2012: 24.50%).

The differences are explained below.

	2013 revenue £'000	2013 capital £'000	2013 total £'000	2012 revenue £'000	2012 capital £'000	2012 total £'000
Net (loss)/return on ordinary activities before taxation	(247)	22,943	22,696	15	(4,125)	(4,110)
Net (loss)/return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 23.25% (2012: 24.50%)	(57)	5,334	5,277	4	(1,011)	(1,007)
Effects of:						
Gains/(losses) on investments not taxable[1]	–	(5,334)	(5,334)	–	1,011	1,011
Increase in excess expenses for the year	322	–	322	242	–	242
Income not included for taxation purposes	(265)	–	(265)	(246)	–	(246)
Overseas taxation	84	–	84	70	–	70
Current taxation charge (Note 6a)	84	–	84	70	–	70

[1] 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) The Company has unrelieved excess taxable losses of £17,108,000 (2012: £15,723,000). It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred taxation asset has been recognised.

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

	2013 revenue	2013 capital	2013 total	2012 revenue	2012 capital	2012 total
Net (loss)/return per ordinary share – pence	(0.30)	20.64	20.34	(0.06p)	(4.24p)	(4.30p)
Net (loss)/return on ordinary activities after taxation for the year – £'000	(331)	22,943	22,612	(55)	(4,125)	(4,180)

The (loss)/return per ordinary share is based on 111,140,691 ordinary shares (2012: 97,168,062) being the weighted average number of ordinary shares in issue. There are no diluted (losses)/returns for the year because the average ordinary share price, in the period prior to all the subscription share rights being exercised, was below the exercise price of those subscription shares. There were no diluted losses in 2012 because the potential issue of ordinary shares would have decreased the loss for the year.

Notes to the Financial Statements

	2013 £'000	2012 £'000
8 INVESTMENTS		
Investments designated at fair value through profit or loss		
Listed overseas	84,031	55,087
Opening fair value of investments		
Opening book cost	56,032	56,297
Opening investment holding (losses)/gains	(945)	2,510
	55,087	58,807
Movements in the year		
Purchases at cost	97,539	52,509
Sales – proceeds	(82,527)	(49,853)
Sales – gains/(losses) in the year	9,249	(2,921)
Movement in investment holding (losses)/gains in the year	4,683	(3,455)
Closing fair value of investments	84,031	55,087
Closing book cost	80,293	56,032
Closing investment holding gains/(losses)	3,738	(945)
Closing fair value of investments	84,031	55,087
Gains/(losses) for the year on investments designated at fair value through profit or loss		
Gains/(losses) on sales of investments	9,249	(2,921)
Investment holding gains/(losses)	4,683	(3,455)
	13,932	(6,376)

The portfolio turnover rate for the year was 86.3% (2012: 70.2%).

Gains/(losses) on investments in the year are shown net of investment transaction costs which are summarised below:

	2013 £'000	2012 £'000
Purchases	101	64
Sales	79	58
	180	122

Notes to the Financial Statements

9 DERIVATIVE INSTRUMENTS

	2013 fair value £'000	2013 exposure £'000	2012 fair value £'000	2012 exposure £'000
At the year end the Company held the following CFDs				
Long CFDs – assets	6,263	18,150	1,941	11,935
Long CFDs – liabilities	(421)	2,968	(301)	3,220
	5,842	21,118	1,640	15,155

	2013 £'000	2012 £'000
Gains on derivative instruments held at fair value through profit or loss in the year		
Gains on long CFD positions closed	5,463	986
Movement in investment holding gains on long CFDs	4,202	1,649
	9,665	2,635

10 DEBTORS

	2013 £'000	2012 £'000
Securities sold for future settlement	131	2,396
Amount receivable on ordinary shares issued	–	1
Accrued income	118	78
Other debtors	60	157
	309	2,632

11 CREDITORS

	2013 £'000	2012 £'000
Securities purchased for future settlement	359	1,668
Other creditors	443	331
	802	1,999

Notes to the Financial Statements

	2013 shares	2013 £'000	2012 shares	2012 £'000
12 SHARE CAPITAL				
Issued, allotted and fully paid:				
Ordinary shares of 25 pence each				
Beginning of the year	96,822,685	24,206	97,447,975	24,362
Issue of ordinary shares on the exercise of rights attached to subscription shares	17,232,149	4,308	12,710	3
Repurchase of ordinary shares	(100,000)	(25)	(638,000)	(159)
End of the year	113,954,834	28,489	96,822,685	24,206
Issued, allotted and fully paid:				
Subscription shares of 5 pence each				
Beginning of the year	17,232,149	862	17,244,859	863
Exercise of rights attached to subscription shares and conversion into ordinary shares	(17,232,149)	(862)	(12,710)	(1)
End of the year	–	–	17,232,149	862
Total share capital		28,489		25,068

The subscription shares were issued as a bonus issue to ordinary shareholders on 11 November 2009 on the basis of one subscription share for every five ordinary shares held. Each subscription share gave the holder the right, but not the obligation, to subscribe for one ordinary share upon payment of the subscription price of 55 pence per subscription share, on the last business day of each month, commencing in February 2010.

The final date to exercise these rights was 28 February 2013. After 28 February 2013, the Company appointed a trustee who exercised all the remaining rights attached to the subscription shares that had not been exercised by shareholders. The resulting ordinary shares were sold in the market and the profits of this sale, being the net proceeds less the 55 pence per share cost of exercising the rights and after deduction of expenses and fees, were paid to the holders of those outstanding subscription shares.

13 RESERVES

The "share premium account" represents the amount by which the proceeds from the issue of ordinary shares, on the exercise of rights attached to subscription shares, exceeds the nominal value of those ordinary shares. It is not distributable by way of dividend and it cannot be used to fund share repurchases.

The "capital redemption reserve" maintains the equity share capital of the Company and represents the nominal value of shares repurchased and cancelled. It is not distributable by way of dividend and it cannot be used to fund share repurchases.

The "other reserve" was created in 1999 when the share premium account at that time was cancelled. It is not distributable by way of dividend. It can be used to fund share repurchases.

The "capital reserve" reflects realised gains or losses on investments and derivatives sold, unrealised increases and decreases in the fair value of investments and derivatives held and other income and costs recognised in the capital column of the Income Statement. It is not currently distributable by way of dividend. It can be used to fund share repurchases.

The "revenue reserve" represents the net revenue losses recognised in the revenue column of the Income Statement. It could be distributed by way of dividend if it were not in deficit.

Notes to the Financial Statements

14 NET ASSET VALUE PER SHARE

The undiluted net asset value per ordinary share is based on net assets of £90,042,000 (2012: £58,034,000) and on 113,954,834 (2012: 96,822,685) ordinary shares, being the number of ordinary shares in issue at the year end.

There is no diluted net asset value per ordinary share at 31 December 2013 because all the rights attached to the subscription shares were exercised during the year and there are no longer any subscription shares in issue. The diluted net asset value per ordinary share at 31 December 2012 was calculated on the basis of what the financial position would have been if all the rights attached to the 17,232,149 outstanding subscription shares had been exercised at that date. This basis of calculation was in accordance with guidelines laid down by the Association of Investment Companies.

15 RECONCILIATION OF NET RETURN/(LOSS) BEFORE FINANCE COSTS AND TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2013 £'000	2012 £'000
Net return/(loss) before finance costs and taxation	22,769	(4,034)
Capital (return)/loss for the year	(22,943)	4,125
Net revenue (loss)/return before finance costs and taxation	(174)	91
Decrease/(increase) in other debtors	57	(118)
Increase/(decrease) in other creditors	112	(135)
Overseas taxation suffered	(84)	(70)
Net cash outflow from operating activities	(89)	(232)

16 RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET FUNDS

	2013 £'000	2012 £'000
Net funds at the beginning of the year	674	4,056
Net cash inflow/(outflow)	642	(2,998)
Foreign exchange movements	(654)	(384)
Change in net funds	(12)	(3,382)
Net funds at the end of the year	662	674

	2013 £'000	cash flows £'000	exchange movements £'000	2012 £'000
Analysis of net funds				
Cash at bank	662	642	(654)	674

Notes to the Financial Statements

17 FINANCIAL INSTRUMENTS

MANAGEMENT OF RISK

The general risk analysis undertaken by the Board and its overall policy approach to risk management are set out in the Strategic Report on pages 12 to 14. This Note is incorporated in accordance with Financial Reporting Standard 29: Financial Instruments: Disclosures ("FRS 29") 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;
- Derivative instruments which comprise of long CFDs; and
- Cash, liquid resources and short term debtors and creditors that arise from its operations.

The risks identified by FRS 29 arising from the Company's financial instruments are market price risk (which comprises interest rate risk, foreign currency risk and other price risk), liquidity risk, counterparty risk, credit risk and derivative instruments risk. The Board reviews and agrees policies for managing each of these risks, which are summarised in this Note. These policies have remained unchanged throughout the reporting period.

Market price risk

Interest rate risk

The Company finances its operations through shareholders' funds. In addition, the Company has a geared exposure to Japanese equities through the use of long CFDs, which incur funding costs and provide collateral in yen. It is therefore exposed to a financial risk as a result of any increases in yen interest rates.

Interest rate risk profile

The extent to which the Company's financial instruments are affected by changes in interest rates is shown below:

	2013 variable interest rate risk £'000	2012 variable interest rate risk £'000
Exposure to financial instruments that earn interest		
Cash at bank	662	674
Exposure to financial instruments that bear interest		
Gearing through long CFDs	15,276	13,515
Net exposure to financial instruments that bear interest	14,614	12,841

Foreign currency risk

The Company's total net assets and total return on ordinary activities can be affected by foreign exchange movements because the Company has assets, liabilities and income which are denominated in yen whereas the Company's base currency is UK sterling.

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

- Movements in exchange rates affecting the value of investments and long CFDs;
- Movements in exchange rates affecting short term timing differences; and
- Movements in exchange rates affecting income received.

The Company does not hedge the UK 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 may also be subject to short term exposure from exchange rate movements, for example between the date when an investment is bought or sold and the date when settlement of the transaction occurs.

Notes to the Financial Statements

17 FINANCIAL INSTRUMENTS continued

Currency exposure of financial assets

The Company's financial assets comprise equity investments, the exposure to the long CFDs (the fair value of the underlying securities within the long CFDs), short term debtors and cash. The currency profile of these financial assets is shown below:

2013	investments designated at fair value through profit or loss £'000	exposure through long CFDs £'000	short term debtors £'000	cash £'000	total £'000
Yen	84,031	21,118	249	588	105,986

2012	investments designated at fair value through profit or loss £'000	exposure through long CFDs £'000	short term debtors £'000	cash £'000	total £'000
Yen	55,087	15,155	2,561	643	73,446

Currency exposure of financial liabilities

The Company finances its investment activities through shareholders' funds and it has a geared exposure to Japanese equities through the use of long CFDs. The Company's financial liabilities comprise the total exposure to the long CFDs, less their fair value, and other short term creditors. The currency profile of these financial liabilities is shown below:

2013	gearing through long CFDs £'000	short term creditors £'000	total £'000
Yen	15,276	335	15,611

2012	gearing through long CFDs £'000	short term creditors £'000	total £'000
Yen	13,515	1,729	15,244

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 may suffer through holding market positions in the face of price movements. 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.

Notes to the Financial Statements

17 FINANCIAL INSTRUMENTS continued

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. Exposures to counterparties are monitored and reported frequently. For the long CFDs, in accordance with terms outlined in the International Swap Dealers Association's ("ISDA") market standard derivative legal contracts, collateral is used to reduce the credit risk exposure for both parties to the transaction. Collateral is managed and monitored on a daily basis for all relevant transactions. At 31 December 2013 £5,615,000 (2012: £1,638,000) of the derivative counterparty's funds were held in an account designated in the name of the Company as collateral to reduce the Company's credit risk exposure.

Credit risk

Investments may be adversely affected if any of the institutions with which money is deposited suffers insolvency or other financial difficulties. All transactions are carried out with a large number of brokers and are settled on a delivery versus payment basis and limits are set by the Manager on the amount that may be due from any one broker. All security transactions are through brokers which have been approved as an acceptable counterparty. This is reviewed on an ongoing basis. At the year end, the exposure to credit risk includes cash at bank, outstanding securities transactions and the long CFDs at fair value.

Derivative instruments risk

The risks and risk management processes which result from the use of derivative instruments are included within the other risk categories disclosed above in this Note. Derivative instruments are used by the Manager to gain "unfunded" long exposure to equity markets, sectors or single stocks. "Unfunded" exposure is exposure gained without an initial outflow of capital. The risk and performance contribution of these instruments to the Company's portfolio is overseen by the Manager's specialist derivative instruments team which draws on over forty years of specialist experience in derivative risk management. This team uses portfolio risk assessment tools to advise the Manager on portfolio construction.

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

If the Company's exposures as at 31 December 2013 to bank balances and the long CFDs were held throughout the year, with all other variables remaining constant, then if interest rates increased by 0.25% total net assets and total return on ordinary activities would have decreased by £37,000 (2012: £32,000). A decrease in the interest rates by 0.25% would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

If UK sterling had strengthened by 10% against the yen, with all other variables held constant, at 31 December 2013, total net assets and the total return on ordinary activities would have decreased by £9,602,000 (2012: £6,521,000). A 10% weakening of UK sterling against the yen would have increased total net assets and the total return on ordinary activities by £11,736,000 (2012: £7,791,000).

Other price risk sensitivity analysis

Changes in market prices other than those arising from interest rate risk or foreign currency risk may also affect the value of the Company's net assets and its total return on ordinary activities. Details of how the Board sets risk parameters and performance objectives can be found on pages 12 to 14 of the Strategic Report.

Investments exposure sensitivity analysis

An increase of 10% in the fair value of the investments at 31 December 2013 would have increased total net assets and total return on ordinary activities by £8,403,000 (2012: £5,509,000). A decrease of 10% would have had an equal but opposite effect.

Derivatives instruments exposure sensitivity analysis

The Company also invests in long CFDs to gain exposure to the equity markets. An increase of 10% in the price of shares underlying the long CFDs at 31 December 2013 would have increased total net assets and total return on ordinary activities by £2,112,000 (2012: £1,516,000). A decrease of 10% would have had an equal but opposite effect.

Notes to the Financial Statements

17 FINANCIAL INSTRUMENTS continued

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As explained in Notes 1(g) and 1(h) on pages 45 and 46 investments are stated at fair value, which is bid or last market price, and long CFDs are stated at fair value, which is the difference between the settlement price and the value of the underlying shares in the contract. Other 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.

FAIR VALUE HIERARCHY

FRS 29 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 techniques used by the Company to value its financial instruments are explained in the Accounting Policies Notes 1(g) and 1(h) on pages 45 and 46. The investments held by the Company of £84,031,000 (2012: £55,087,000) are considered to fall within Level 1. The derivative instruments held consist of long CFDs with a fair value of £5,842,000 (2012: £1,640,000) and are considered to fall within Level 2.

18 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, share capital and reserves which are disclosed in the Balance Sheet on page 43 and are managed in accordance with its investment policy in pursuit of its investment objective, which is detailed on page 11 of the Strategic Report. The principal risks and their management are disclosed on pages 12 to 14 of the Strategic Report.

19 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 31 December 2013 (2012: nil).

20 RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH THE MANAGER

The Directors have complied with the provisions of Financial Reporting Standard 8: Related Party Disclosures, 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 23. Fees paid to the Directors are disclosed in the Directors' Remuneration Report on page 35.

Financial Calendar

The key dates in the Company's calendar are:

31 December 2013 – financial year end

27 March 2014 – announcement of results

April 2014 – publication of this report

May 2014 – Interim Management Statement (as at 31 March 2014)

14 May 2014 – Annual General Meeting

30 June 2014 – Half-Year end

July/August 2014 – announcement of Half-Yearly results to 30 June 2014

August 2014 – publication of Half-Yearly report

November 2014 – Interim Management Statement (as at 30 September 2014)

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity Japanese Values PLC will be held at 25 Cannon Street, London EC4M 5TA, on 14 May 2014 at 12 noon for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2013.

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

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

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

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

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

7. To approve the Directors' Remuneration Report (excluding the Company's Remuneration Policy set out on pages 34 and 35) for the year ended 31 December 2013.

8. To approve the Company's Remuneration Policy, the full text of which is set out on pages 34 and 35 in the Directors' Remuneration Report for the year ended 31 December 2013.

9. 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.

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

To consider and, if thought fit, to pass the following resolutions of which Resolution 11 will be proposed as an ordinary resolution and Resolutions 12, 13 and 14 as special resolutions:

Resolutions 11 and 12 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 26 March 2014. 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.

11. 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 £1,424,435 (approximately 5% of the aggregate nominal amount of the issued ordinary share capital of the Company as at 26 March 2014) 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.

12. THAT, subject to the passing of Resolution 11 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 11 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 £1,424,435 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company as at 26 March 2014); 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 13 is a special resolution which, if approved, will renew the Company's authority to purchase its ordinary shares for cancellation. The limit set by the Board is 14.99% respectively of the number of ordinary shares in issue on 26 March 2014. 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.

Notice of Meeting

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

    a) the maximum number of shares hereby authorised to be purchased shall be 17,081,829 ordinary shares;

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

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

    e) the Company may make a contract to purchase ordinary 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.

Resolution 14 is a special resolution which, if approved, will adopt new Articles of Association of the Company which update the Company's existing Articles of Association. The new Articles of Association reflect recent changes to tax, regulation and company law which affect investment trusts and the Company, in particular (1) removing the prohibition on a distribution of realised capital profits and (2) incorporating provisions to ensure compliance with the Alternative Investment Fund Managers Directive, including conferring certain powers on the Board expressly. Further details can be found on pages 25 and 26.

14. THAT with effect from the passing of this resolution, the draft regulations produced to the meeting and, for the purpose of identification, initialled by the Chairman, be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

By Order of the Board
FIL Investments International
Secretary
26 March 2014

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy or proxies to attend and to speak and vote instead of him. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.

2. A Form of Proxy is enclosed and must be returned to the Registrars at the address on the form to arrive not later than 12 noon on 12 May 2014. 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 Asset Services, PXS1, Beckenham, Kent BR3 4ZF not less than 48 hours before the time for holding the meeting or adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for the taking of the poll at which it is to be used.

4. In the case of joint holders, the vote of the senior who tenders the vote shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.

5. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 12 noon on 12 May 2014. 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 12 May 2014.

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 5.30pm on 12 May 2014.

Notice of Meeting

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.

8. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Conduct Authority.

9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the 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 5.30pm on 12 May 2014. If the meeting is adjourned then, to be so entitled, members must be entered on the Register of Members at 5.30pm on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.

10. As at 26 March 2014 (the latest practicable date prior to the publication of this document) the Company's issued ordinary share capital consisted of 113,954,834 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the Company as at 26 March 2014 was 113,954,834.

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 31 March 2014 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 a 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 £11,520 for the 2013/2014 tax year and for 2014/2015 the new allowance is £11,880. 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 initial investment 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. From 1 July 2014 ISAs will be reformed into a simpler product, the New ISA ("NISA"). All existing ISAs will become NISAs and account holders will benefit from new flexibility in relation to their accounts, as well as an increased overall subscription limit of £15,000. NISA savings can be held in cash and/or stocks and shares in any combination that the saver wishes.

Charges – Initial charges in the Fidelity ISA may vary. For those investing personally (directly with Fidelity), there will be no initial charge. Those investing through an intermediary will pay a basic initial charge of 0.5% plus any initial fee or commission (where applicable) agreed with their intermediary. 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 0.85% as set out in the Annual Report.

MOVING MONEY FROM A PREVIOUS ISA

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 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 – Fidelity does 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 Fidelity. Please note this offer does not apply to Fidelity's share dealing service.

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 through a regular savings plan. You will also be able to set up a monthly savings plan and receive statements and valuations twice a year.

Investing for children – the Share Plan is a flexible and inexpensive way to invest on behalf of children. All you need to do is enter the initials or name of the child in the Designation Box on the Share Plan application form.

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 additional fees 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 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 Asset Services, or to the Company direct.

INVESTING ONLINE

Whilst you cannot use a Debit Card online to invest through an ISA, JISA or a 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 on any working day. Shares in ShareNetwork can either be held inside or outside of 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. Fidelity ShareNetwork gives you CREST personal membership for shares held directly. This means that shares are registered on the CREST system in your own name and everything relating to your shares – dividends, annual reports and so on – will be sent direct to you and you will be able to attend and vote at Shareholder meetings in your own name.

Personal CREST membership does not apply to ISA holdings which must be held in the name of the ISA manager's nominee under ISA regulations. 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, regardless of how 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.

Investing in Fidelity Japanese Values PLC

FURTHER INFORMATION

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

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

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

The Fidelity Individual Savings Account ("ISA") and Junior ISA are 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 Conduct Authority. The Fidelity Investment Trust Share Plan is administered by Bank of New York Mellon and shares will be held in the name of Bank of New York Nominees Limited.

The value of savings and eligibility to invest in an ISA will depend on individual circumstances and all tax rules may change in the future. Fidelity investment trusts are managed by FIL Investments International. Fidelity only gives information about its own products and services and does not provide investment advice based on individual circumstances. Should you wish to seek advice, please contact a Financial Adviser.

Please note that the value of investments and the income from them may fall as well as rise and the investor may not get back the amount originally invested. Past performance is not a guide to future returns. For funds that invest in overseas markets, changes in currency exchange rates may affect the value of your investment. Investing in small and emerging markets can be more volatile than older developed markets. Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only. Investors should also note that the views expressed may no longer be current and may have already been acted upon by Fidelity.

Issued by Fidelity Japanese Values PLC.

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

Shareholder information

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 Asset Services, 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: shareholderenquiries@capita.co.uk

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

Fidelity Share Plan investors

Fidelity Investment Trust Share Plan, PO Box 12062, Mellon House, Ingrave Road, Brentwood, Essex CM14 9LX. Telephone: 0845 358 1107 (calls to this number are charged at 3.95p per minute from a BT landline. 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 Worldwide Investment, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ.

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

ONLINE SHAREHOLDER SERVICES – SHARE PORTAL

Through the website of our Registrars, Capita Asset Services, 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 Asset Services 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 Asset Services 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 8.00am – 4.30pm 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.

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

KEEPING YOU UPDATED

If you hold Fidelity Japanese Values PLC shares in 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 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.)

Shareholder Information

MANAGER AND ADVISORS

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

Financial Advisers and Stockbrokers
Canaccord Genuity Ltd
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 Asset Services
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

COMPANY INFORMATION

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 final subscription date for the subscription shares was 28 February 2013). 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, the SEDOL is 0332855 and the ISIN is GB0003328555.

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 £10,900 of capital gains in the current tax year 2013/2014 (2012/2013: £10,600) before being liable for capital gains tax. Capital gains tax is charged at 18% and 28% dependent on the total amount of taxable income.

The receipt by ordinary shareholders of the subscription shares arising from the Bonus Issue on 12 November 2009 was treated as a reorganisation of the share capital of the Company. Accordingly, the subscription shares were 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, i.e. 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.

The 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 was 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 subscription shares into ordinary shares, the ordinary shares issued pursuant to the subscription share rights was treated as the same asset as the subscription shares in respect of which the subscription share rights were exercised.

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

Glossary of Terms

AIF
Alternative Investment Fund. The Company is an AIF.

AIFM
Alternative Investment Fund Manager. The Board have agreed in principle that FIL Investment Services (UK) Limited will act as the Company's AIFM.

AIFMD
The Alternative Investment Fund Managers Directive 2011/61/EU which is a European Union Directive that entered into force on 22 July 2013 and has a transitional implementation date of 22 July 2014.

BENCHMARK INDEX
MSCI All Countries Far East ex Japan Index (net).

CAPITAL GAINS TAX (CGT)
The tax you may have to pay if you sell your shares at a profit.

CONTRACT FOR DIFFERENCE (CFD)
A Contract For Difference is a derivative. It is a contract between the Company and an investment house at the end of which the parties exchange the difference between the opening price and the closing price of an underlying asset of the specified financial instrument. It does not involve the Company buying or selling the underlying asset, only agreeing to receive or pay the movement in its share price. A Contract For Difference allows the Company to gain access to the movement in the share price by depositing a small amount of cash known as margin. A Company may reason that the asset price will rise, by buying ("long" position) or fall, by selling ("short" position). If a company trades long, dividends are received and interest is paid. If a company trades short, dividends are paid and interest is received. The Company only uses "long" Contracts for Difference.

CORPORATION TAX
The tax the Company may have to pay on its profits for a year. As an investment trust company, the Company is exempt from corporation tax on its capital gains and does not pay tax on any UK dividends. It can also offset expenses against any taxable income and consequently it is tax efficient and does not pay corporation tax.

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

DEPOSITARY
An entity that will oversee the custody, cash arrangements and other AIFM responsibilities of the Company. The Board have agreed in principle that J.P. Morgan Europe Limited will act as the Company's depositary.

DERIVATIVES
Financial instruments (such as futures, options and Contracts For Difference) whose value is derived from the value of an underlying asset.

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

FAIR VALUE
The fair value is the best estimate of the value of the investments, including derivatives, at a point in time and this is measured as:

- Listed investments valued at bid prices, or last market prices, where available, otherwise at published price quotations;
- Unlisted investments valued using an appropriate valuation technique in the absence of an active market; and
- Contracts for Difference are valued as the difference between the settlement price of the contract and the value of the underlying shares in the contract (unrealised gains or losses).

FIDELITY
FIL Investments International.

GEARING
Gearing describes the level of a Company's borrowing and is usually expressed as a percentage of Shareholders' funds. It can be through the use of bank loans, bank overdrafts or Contracts For Difference in order to increase a Company's exposure to stocks. Gearing is permitted in order to buy or gain exposure to further investments. If assets rise in value, gearing magnifies the return to ordinary shareholdings. Correspondingly, if the assets fall in value, gearing magnifies that fall. Contracts For Difference are used as a way of gaining exposure to the price movements of shares without buying the underlying shares directly.

GEARING PERCENTAGE
In a simple example, if the Company has £100 million of net assets and £8 million of borrowings (either via bank loans or long Contracts For Difference), then the Shareholders' funds are 8% geared. Normally, the higher the gearing percentage, the more sensitive the Company's shares will be to the movements up and down in the value of the investment portfolio.

HEDGING
A strategy aimed at minimising or eliminating the risk or loss through adverse movements normally involving positions in two different markets, with one offsetting the other. The Company uses derivative instruments for gearing and investment rather than hedging purposes.

MANAGER
An entity that manages the Company's assets. The Company's Manager is FIL Investments International.

Glossary of Terms

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

NET ASSET VALUE PER ORDINARY SHARE – UNDILUTED
Represents the net asset value divided by the number of ordinary shares in issue.

NET ASSET VALUE PER ORDINARY SHARE – DILUTED
Represents the net asset value per ordinary share – undiluted adjusted to reflect what the net asset value per share would have been if all the rights attached to any subscription share in issue had been exercised. A dilution occurs when the exercise price of the subscription share rights is less than the net asset value per ordinary share – undiluted.

ONGOING CHARGES
Total expenses (excluding finance costs and taxation) incurred by the Company as a percentage of average net asset values (previously known as the total expense ratio).

PRE-EMPTION RIGHTS
Section 561 of the Companies Act 2006 provides that a company offering a new issue of shares must first make an offer of these shares, on the same or more favourable terms, in proportion to the nominal value held by exiting shareholders. At each annual general meeting, the Board seeks shareholder approval to disapply pre-emption right provisions, up to 5%.

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

REGISTRAR
An entity that manages the Company's shareholders register. The Company's registrar is Capita Asset Services.

RETURN/(LOSS)
The return/(loss) generated in the period from the investments:

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

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

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

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

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

Warning to Shareholders

SHARE FRAUD WARNING

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Conduct Authority (FCA) has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK each year.

PROTECT YOURSELF

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

1. Get the name of the person and organisation contacting you.

2. Check the FCA Register at **www.fca.org.uk/register** to ensure they are authorised.

3. Use the details on the FCA Register to contact the firm.

4. Call the FCA Consumer Helpline on **0800 111 6768** if there are no contact details on the Register or you are told they are out of date.

5. Search the FCA's website for a list of unauthorised firms and individuals to avoid doing business with.

6. **REMEMBER: if it sounds too good to be true, it probably is!**

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

REPORT A SCAM

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at **www.fca.org.uk/scams**, where you can find out about the latest investment scams. You can also call the Consumer Helpline on **0800 111 6768**.

If you have already paid money to share fraudsters you should contact Action Fraud on

0300 123 2040

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