

# Fidelity Japanese Values PLC

Half-Yearly Report

For the 6 months ended 30 June 2016



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# Investment Objective and Performance

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

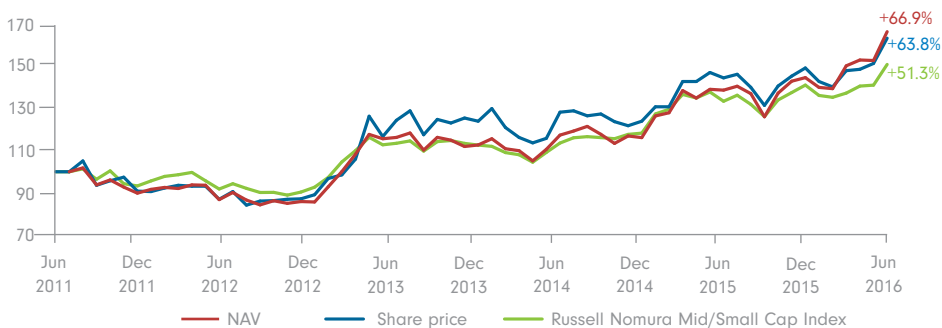
## Performance

	Six months to 30 June 2016
Net Asset Value ("NAV") per Ordinary Share Total Return	+15.1%
Ordinary Share Price Total Return	+9.5%
Russell Nomura Mid/Small Cap Index Total Return (in sterling terms)*	+7.0%

\* The Company's Reference Index

	As at 30 June 2016
Equity Shareholders' Funds	£159.3m
Market Capitalisation	£129.4m
Capital Structure:	
Ordinary Shares of 25 pence each	136,245,695

### 5 Year performance as at end of June 2016



Sources: Fidelity and Datastream

Past performance is not a guide to future returns



The Company is a member of the Association of Investment Companies

# Financial Summary

	30 June 2016	31 December 2015
<b>Assets</b>		
Total portfolio exposure <sup>1</sup>	£196.5m	£135.3m
Shareholders' funds	£159.3m	£116.0m
Total portfolio exposure in excess of shareholders' funds (Gearing)	23.3%	16.6%
NAV per ordinary share – undiluted	116.94p	101.56p
NAV per ordinary share – diluted <sup>2</sup>	n/a	99.08p
<b>Stockmarket data</b>		
Russell Nomura Mid/Small Cap Index (in sterling terms)	2.8930	2.7042
Yen/£ exchange rate	137.142	177.303
Ordinary share price at period end	95.00p	86.75p
period high <sup>3</sup>	95.00p	88.00p
period low <sup>3</sup>	70.50p	71.00p
Discount – undiluted at period end	18.8%	14.6%
period high <sup>3</sup>	21.0%	17.7%
period low <sup>3</sup>	8.8%	6.7%
<b>Results for the six months ended 30 June – see pages 10 and 11</b>	<b>2016</b>	<b>2015</b>
Revenue return/(loss) per ordinary share	0.31p	(0.15p)
Capital return per ordinary share	19.83p	16.05p
Total return per ordinary share	20.14p	15.90p

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

2 There was no diluted net asset value per ordinary share at 30 June 2016 as the subscription share rights were all exercised during the period.

3 The period high and low figures relate to the six months ended 30 June 2016 and the year ended 31 December 2015.

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

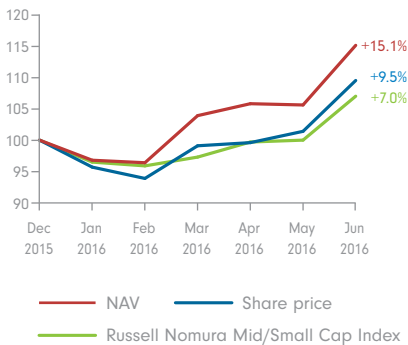
# Chairman's Statement

I have pleasure in presenting the Half-Yearly Report for the six months ended 30 June 2016.

## PERFORMANCE

The NAV of the Company increased by 15.1% in sterling terms over the six months to 30 June 2016, outperforming the Russell Nomura Mid/Small Cap Index, which gained by 7.0% during the same period, and performing in line with the peer group, which achieved a 15% uplift. The excess return generated included the dilutive effect of the subscription shares issue, which reduced the NAV per share by 3%. The discount to NAV widened over the same period and the share price returned 9.5%, compared with an average 9% achieved by the peer group. Core holdings in the chemicals, retail and pharmaceuticals sectors were the key drivers of the Company's outperformance.

### Performance for the six months to 30 June 2016



Rebased to 100 at 31 December 2015  
Sources: Fidelity and Datastream

A commentary on both the portfolio and the Japanese economy may be found in the Portfolio Manager's Review on pages 5 and 6.

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

### Analysis of change in NAV for six months to 30 June 2016 (%)

#### Impact of:

Reference Index (in yen terms)	-17.3
Reference Index income (in yen terms)	+0.9
Stock selection (relative to the Index)	+11.5
Gearing (in yen terms)	-3.6
Exchange rate	+27.1
Subscription shares exercised	-3.0
Share repurchases	+0.1
Charges	-0.8
Cash	+0.2

#### Total return for the six months to 30 June 2016

+15.1

## GEARING

The Company continues to gear through the use of Contracts For Difference ("CFDs"). Total portfolio exposure was £196.5m as at 30 June 2016, equating to gearing of 23.3%.

## TREASURY SHARES

At the Annual General Meeting on 24 May 2016, shareholders approved to hold in Treasury any ordinary shares repurchased by the Company rather than cancelling them. Shares held in Treasury carry no voting rights or rights to receive dividends and have no entitlement in a winding up of the Company. No more than 5% of the issued ordinary share capital can be held in Treasury. Any shares held in Treasury would only be re-issued at NAV per share or at a premium to NAV per share. This would ensure that the net effect of repurchasing and then re-issuing the ordinary shares would enhance NAV per share. No shares are held in Treasury as at the date of this report.

# Chairman's Statement

## SHARE REPURCHASES

Share repurchases of ordinary shares either for cancellation or holding in Treasury are made at the discretion of the Board and within guidelines set by the Board from time to time. Share repurchases are made in the light of prevailing market conditions, together with their impact on liquidity and gearing. Shares will only be repurchased when the result is an enhancement to the net asset value of the ordinary shares for the remaining shareholders. During the reporting period and as at the date of this report, 500,000 ordinary shares were repurchased for cancellation.

## SUBSCRIPTION SHARES

The final date for exercising the rights attached to the Company's subscription shares was 29 April 2016. Between 1 January 2016 and the final subscription date, a total of 13,327,917 subscription shares were exercised by shareholders. In accordance with the terms and conditions on which the subscription shares were issued (as set out in the prospectus published by the Company on 22 July 2014), the Company appointed a final subscription trustee ("Trustee") in respect of the outstanding 9,199,422 subscription shares following the final subscription date. The Trustee subsequently exercised all of the outstanding subscription shares on the same terms and sold the resulting ordinary shares in the market. Subscription Shareholders, on whose behalf the Trustee exercised the outstanding subscription rights and sold the resulting ordinary shares, received the net proceeds, after deduction of the subscription price of 86.50 pence per share together with all associated fees, costs and expenses, by 1 June 2016. Any aggregate entitlements per holder of under £5.00 were retained for the benefit of the Company.

## OUTLOOK

The UK's unexpected decision to leave the EU led to a sudden and extreme market reaction. The sharp appreciation of the safe-haven yen exacerbated the scale of the market correction in Japan, but for a sterling investor this was masked to an extent by the sharp fall in sterling following the leave vote. While the currency remains a major risk factor, markets are likely to settle down given the limited near-term impact on the global economy and the increased likelihood of monetary easing. Japanese authorities remain committed to ending deflation and supporting sustainable growth. Having postponed a scheduled increase in the sales tax to 2019, Prime Minister Abe's Liberal Democratic Party and its ally the Komeito Party, won the majority of contested seats in July's Upper House elections. With the support of some opposition parties, Mr Abe now holds the required supermajority to call for revising the constitution. While constitutional change may well be his ultimate goal, the Prime Minister faces significant hurdles to rewriting the country's pacifist constitution. Moreover, Mr Abe is well aware that he needs to re-energise the economy and the equity market in order to maintain public support, and his first step is likely to be the announcement of a substantial supplementary budget to boost domestic demand and offset the impact of the yen's appreciation.

**David Robins**  
Chairman  
29 July 2016

# Portfolio Manager's Review

## MARKET REVIEW

The Japanese market endured a volatile start to the year, as concerns about a slowdown in China and a shift in US monetary policy intensified.

Overseas investors became aggressive net sellers of Japanese equities as risk aversion increased. The Bank of Japan ("BoJ") introduced a negative interest rate policy, but the yen strengthened on the view that the US Federal Reserve (the "Fed") would implement fewer interest rate hikes than was previously expected. This triggered downward revisions to earnings estimates. In this environment, the performance gap between domestic/defensive and external demand-related stocks widened significantly.

Market conditions gradually stabilised as global risk sentiment improved and commodity prices rose. Share prices reacted favourably to additional monetary easing in Europe and China, and better economic data in the US. As concerns about the outlook for China's economy eased and commodity prices picked up, the market rotated in favour of oversold cyclical and commodity sectors. While the BoJ decided to maintain its current policy stance, Prime Minister Shinzo Abe's decision to delay a scheduled increase in the sales tax and commit to fresh fiscal stimulus ahead of summer elections in Japan helped to support stocks.

The yen resumed an upward path as US employment data diminished expectations of an imminent interest rate hike by the Fed and risk aversion increased ahead of the UK referendum on its membership of the European Union. As mentioned in the Chairman's Statement, the unexpected victory of the 'Leave' camp triggered a heavy selloff in risk assets. A global flight to safety increased demand for the safe-haven yen, which broke through the ¥135 level against a weak pound. Although Japanese stocks experienced a steep correction in yen terms, the extreme

currency swings produced positive sterling-based returns.

Financials and currency-sensitive cyclical stocks underperformed significantly over the review period. The banks, securities, insurance, mining and transport equipment sectors suffered the steepest declines. Conversely, low-beta domestic and defensive stocks, and small-caps outperformed. In this environment, the performance divergence between value and momentum factors increased significantly.

## PORTFOLIO REVIEW

Nissan Chemical Industries, which is the largest overweight position in the Company's portfolio, was the standout contributor to performance over the review period. The company announced another share buyback plan along with its full-year results, which underscored the strength of its core products such as photoalignment films (used in small LCD panels) and veterinary pharmaceuticals. Alongside its results, Nissan Chemical announced medium and long-term business plans, and reaffirmed its commitment to increase shareholder returns by targeting a 70% total payout ratio.

Sporting goods maker Yonex was another noteworthy performer in the portfolio. It announced strong full-year results, supported by the growth of its badminton equipment business in Asia. Sales in China expanded rapidly, aided by the strength of its brand and its shift from the use of sales agents to direct sales by subsidiaries.

Kotobuki Spirits was also among the top contributors to performance. The confectionary company reported strong annual results that exceeded consensus forecasts. Price hikes, the growth of the souvenir market in Japan amid an increasing number of foreign visitors, and the expansion of its sales network to include Tokyo

# Portfolio Manager's Review

station and international airports supported the company's brisk earnings.

Elsewhere, pharmaceuticals company Nippon Shinyaku projected a sharp increase in operating profits for the year to March 2017. Overseas sales of a pulmonary arterial hypertension (PAH) treatment are expected to drive strong growth in royalty income.

Conversely, Orix was the single largest detractor from returns. The diversified financial services company reported solid full-year results and increased its payout to shareholders. However, its relatively high foreign ownership ratio meant that it was susceptible to the sharp deterioration in risk sentiment among global investors. Nonetheless, Orix has a solid long-term track record in achieving excess returns and its valuations look increasingly attractive.

In the electric appliances sector, Rohm, a leading producer of custom integrated circuits and semiconductor devices, fell sharply. Signs of a slowdown in end-demand (particularly in the mobile and audio-visual areas) became more apparent, and higher fixed costs and a stronger yen appeared to limit the scope for a recovery in its earnings. The stock looks attractive from a valuation perspective, but potential upside appears limited amid further declines in consensus forecasts. As a result, the position was sold.

Although there have been no significant changes to the portfolio overall, the Portfolio Manager has added stable domestic growth companies in areas such as communications and retail. Mobile carrier SoftBank and online consumer-to-consumer (C2C) shopping portal Enigma are recent examples. The Portfolio Manager reduced the holding in agricultural/construction machinery manufacturer Kubota given its sensitivity to currency fluctuations and slower US growth.

Instead, the position in Keyence, a high-quality company with good growth prospects in factory-automation equipment was increased. The Portfolio Manager has also taken profits in strong performers whose valuations have risen. Examples include commercial kitchen equipment maker Hoshizaki Electric and online advertising company Septeni Holdings.

The proceeds from the subscription shares that were received in early May were invested across the portfolio, while prioritising holdings in high conviction names. At the same time, a portion of the cash was used to reduce gearing, which had become elevated during the recent market correction.

## OUTLOOK

Overall, the portfolio remains well positioned. It has a relatively high domestic weighting and lower export ratio (with low exposure to the UK and European markets). The direct impact of the Brexit fallout on the companies that the Company holds is therefore relatively limited. Moreover, the market correction is creating some attractive buying opportunities and Japanese stock valuations are cheap at current levels.

### Nicholas Price

Portfolio Manager  
29 July 2016



## Twenty Largest Holdings as at 30 June 2016

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

Shares and long CFDs	Portfolio Exposure £'000	Portfolio Exposure % <sup>1</sup>	Fair Value £'000
<b>Nissan Chemical Industries</b> Producer of chemicals, agrochemicals and pharmaceutical products	11,147	7.0	11,147
<b>AEON Financial Service</b> Provider of loans, credit cards and customer instalment credits	10,421	6.5	10,421
<b>SoftBank (shares and long CFD)</b> Provider of telecommunication services including ADSL and fibre optic Internet connection	8,221	5.2	763
<b>Nippon Shinyaku (shares and long CFD)</b> Manufacturer of pharmaceutical and health food products	7,938	5.0	6,070
<b>M3 (long CFD)</b> Provider of medical related Internet services	7,178	4.5	1,595
<b>Yonex</b> Producer and retailer of sporting goods	6,010	3.8	6,010
<b>Zojirushi</b> Manufacturer of kitchen appliances, heat-insulating containers and environmental equipment	5,885	3.7	5,885
<b>Orix (long CFD)</b> Provider of leasing, real estate loans, life insurance, banking and consumer finance	5,856	3.7	(1,737)
<b>Ryohin Keikaku</b> Retailer and wholesaler of generic private-brand consumer products	5,283	3.3	5,283
<b>Kao (shares and long CFD)</b> Manufacturer of household and chemical products	5,202	3.3	1,691
<b>Kose (shares and long CFD)</b> Producer, retailer and exporter of cosmetic products	5,144	3.2	550
<b>Kakaku.com</b> Provider of price comparison services, product information and internet advertising services	4,840	3.0	4,840
<b>Keyence</b> Developer, manufacturer and seller of sensors and measuring instruments	4,775	3.0	4,775
<b>Shinoken Group</b> Provider of property management and consulting services	4,683	2.9	4,683
<b>Shionogi</b> Developer of prescription and non-prescription medicines and diagnostics	4,152	2.6	4,152

## Twenty Largest Holdings as at 30 June 2016

Shares and long CFDs	Portfolio Exposure £'000	Portfolio Exposure % <sup>1</sup>	Fair Value £'000
<b>Rinnai</b>			
Manufacturer and seller of gas appliances	3,911	2.5	3,911
<b>Kubota (long CFD)</b>			
Manufacturer of tractors and heavy equipment	3,870	2.4	(550)
<b>Nitori Holdings</b>			
Operator of a furniture retail chain	3,805	2.4	3,805
<b>Aska Pharmaceutical</b>			
Producer, wholesaler, importer and exporter of medical equipment and medicines	3,536	2.2	3,536
<b>Kotobuki Spirits</b>			
Producer of confectionary	3,494	2.2	3,494
<b>Twenty Largest Exposures</b>	<b>115,351</b>	<b>72.4</b>	<b>80,324</b>
<b>Other Holdings</b>	<b>81,150</b>	<b>50.9</b>	<b>75,654</b>
<b>Total Portfolio Exposure</b>	<b>196,501</b>	<b>123.3</b>	
<b>Total Portfolio Fair Value<sup>2</sup></b>			<b>155,978</b>
<b>Net current assets excluding derivative instruments</b>			<b>3,354</b>
<b>Shareholders' Funds</b>			<b>159,332</b>

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

2 Total Portfolio Fair Value comprises investments in shares £158,060,000 plus long CFD derivative instrument assets £1,856,000 less long CFD derivative instrument liabilities £3,938,000 (per the Balance Sheet on page 14)

An explanation of how Fair Value is calculated can be found in the Glossary of Terms on page 23.

## GEARING as at 30 June 2016

Shares and long CFDs	Portfolio Exposure	
	30 June 2016 £'000	31 December 2015 £'000
Investments – shares	158,060	115,532
Derivative instruments – long CFDs	38,441	19,720
<b>Total Portfolio Exposure</b>	<b>196,501</b>	<b>135,252</b>
<b>Shareholders' Funds</b>	<b>159,332</b>	<b>116,000</b>
<b>Gearing – Total Portfolio Exposure in excess of Shareholders' Funds</b>	<b>23.3%</b>	<b>16.6%</b>

# Interim Management Report

The Company is required to make the following disclosures in its Half-Yearly Report:

## PRINCIPAL RISKS AND UNCERTAINTIES

The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the risk management and internal control process, identifies the key risks that the Company faces. The Board believes that the principal risks and uncertainties faced by the Company continue to fall into the following categories: market risk; performance risk; discount control risk; gearing risk; currency risk; tax and regulatory risks; and operational risks. Information on each of these risks can be found in the Strategic Report section of the Annual Report for the year ended 31 December 2015.

## TRANSACTIONS WITH THE MANAGER AND RELATED PARTIES

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management to FIL Investments International. The transactions with the Manager and related party transactions with the Directors are disclosed in Note 11 on page 19.

## GOING CONCERN

Taking account of the information available, including the regular reports received from the Manager, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Board continues, therefore to adopt the going concern basis of accounting in preparing the financial statements for the reasons given in the Annual Report for the year ended 31 December 2015. The next continuation vote will be put to shareholders at the Annual General Meeting in 2019.

## DIRECTORS' RESPONSIBILITY STATEMENT

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

The Directors confirm to the best of their knowledge that:

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

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

The Half-Yearly Financial Report was approved by the Board on 29 July 2016 and the above responsibility statement was signed on its behalf by David Robins, Chairman.

# Income Statement

		six months ended 30 June 2016 unaudited		
	Notes	revenue £'000	capital £'000	total £'000
Gains on investments at fair value through profit or loss		-	27,710	27,710
(Losses)/gains on derivative instruments		-	(3,913)	(3,913)
Income	4	1,305	-	1,305
Investment management fee	5	(633)	-	(633)
Other expenses		(250)	-	(250)
Exchange gains/(losses) on other net assets		95	87	182
<b>Net return/(loss) before finance costs and taxation</b>		<u>517</u>	<u>23,884</u>	<u>24,401</u>
Finance costs		(40)	-	(40)
<b>Net return/(loss) on ordinary activities before taxation</b>		<u>477</u>	<u>23,884</u>	<u>24,361</u>
Taxation on return/(loss) on ordinary activities	6	(103)	-	(103)
<b>Net return/(loss) on ordinary activities after taxation for the period</b>		<u>374</u>	<u>23,884</u>	<u>24,258</u>
<b>Return/(loss) per ordinary share – undiluted and diluted</b>	7	<u>0.31p</u>	<u>19.83p</u>	<u>20.14p</u>

There are no gains and losses other than those reported in this Income Statement. The total column of this statement is the profit and loss account of the Company.

All revenue and capital items in this statement derive from continuing operations and no operations were acquired or discontinued in the period.

six months ended 30 June 2015 unaudited			year ended 31 December 2015 audited		
revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
-	14,725	14,725	-	21,132	21,132
-	4,421	4,421	-	2,717	2,717
824	-	824	1,728	-	1,728
(587)	-	(587)	(1,130)	-	(1,130)
(276)	-	(276)	(508)	-	(508)
(27)	(850)	(877)	(22)	(762)	(784)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(66)	18,296	18,230	68	23,087	23,155
(45)	-	(45)	(88)	-	(88)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(111)	18,296	18,185	(20)	23,087	23,067
(61)	-	(61)	(140)	-	(140)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(172)	18,296	18,124	(160)	23,087	22,927
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(0.15p)	16.05p	15.90p	(0.14p)	20.24p	20.10p
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# Statement of Changes in Equity

	Note	share capital £'000
<b>Six months ended 30 June 2016 (unaudited)</b>		
<b>As at 31 December 2015</b>		28,555
Issue of ordinary shares on exercise of rights attached to subscription shares	9	5,632
Repurchase of ordinary shares for cancellation	9	(125)
Net return on ordinary activities after taxation for the period		-
<b>As at 30 June 2016</b>		<u>34,062</u>
<b>Six months ended 30 June 2015 (unaudited)</b>		
<b>As at 31 December 2014</b>		28,501
Issue of ordinary shares on exercise of rights attached to subscription shares	9	11
Net return/(loss) on ordinary activities after taxation for the period		-
<b>As at 30 June 2015</b>		<u>28,512</u>
<b>Year ended 31 December 2015 (audited)</b>		
<b>As at 31 December 2014</b>		28,501
Issue of ordinary shares on exercise of rights attached to subscription shares	9	54
Net return/(loss) on ordinary activities after taxation for the year		-
<b>As at 31 December 2015</b>		<u>28,555</u>

share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
6,874	2,621	57,568	34,853	(14,471)	116,000
13,855	-	-	-	-	19,487
-	125	(413)	-	-	(413)
-	-	-	23,884	374	24,258
<u>20,729</u>	<u>2,746</u>	<u>57,155</u>	<u>58,737</u>	<u>(14,097)</u>	<u>159,332</u>
6,741	2,621	57,568	11,766	(14,311)	92,886
28	-	-	-	-	39
-	-	-	18,296	(172)	18,124
<u>6,769</u>	<u>2,621</u>	<u>57,568</u>	<u>30,062</u>	<u>(14,483)</u>	<u>111,049</u>
6,741	2,621	57,568	11,766	(14,311)	92,886
133	-	-	-	-	187
-	-	-	23,087	(160)	22,927
<u>6,874</u>	<u>2,621</u>	<u>57,568</u>	<u>34,853</u>	<u>(14,471)</u>	<u>116,000</u>

# Balance Sheet

Company number 2885584

		30 June 2016 unaudited £'000	31 December 2015 audited £'000	30 June 2015 unaudited £'000
	Notes			
<b>Fixed assets</b>				
Investments at fair value through profit or loss	8	158,060	115,532	109,254
<b>Current assets</b>				
Derivative instruments	8	1,856	1,056	206
Debtors		1,530	1,063	517
Cash at bank		4,293	220	4,562
		<u>7,679</u>	<u>2,339</u>	<u>5,285</u>
<b>Creditors</b>				
Derivative instruments	8	(3,938)	(1,117)	(1,249)
Other creditors		(2,469)	(754)	(2,241)
		<u>(6,407)</u>	<u>(1,871)</u>	<u>(3,490)</u>
<b>Net current assets</b>		<u>1,272</u>	<u>468</u>	<u>1,795</u>
<b>Net assets</b>		<u>159,332</u>	<u>116,000</u>	<u>111,049</u>
<b>Capital and reserves</b>				
Share capital	9	34,062	28,555	28,512
Share premium account		20,729	6,874	6,769
Capital redemption reserve		2,746	2,621	2,621
Other reserve		57,155	57,568	57,568
Capital reserve		58,737	34,853	30,062
Revenue reserve		(14,097)	(14,471)	(14,483)
<b>Total equity shareholders' funds</b>		<u>159,332</u>	<u>116,000</u>	<u>111,049</u>
<b>Net asset value per ordinary share</b>				
Undiluted	10	116.94p	101.56p	97.37p
Diluted	10	n/a	99.08p	95.57p



# Notes to the Financial Statements

## 1 PRINCIPAL ACTIVITY

The principal activity of the Company is that of an investment trust company within the meaning of section 1158 of the Corporation Tax Act 2010.

## 2 RESULTS

The Condensed Financial Statements in this half-yearly financial report have not been audited by the Company's Auditor and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 (the "Act"). The financial information for the year ended 31 December 2015 is extracted from the latest published financial statements of the Company. Those financial statements were delivered to the Registrar of Companies and included the Independent Auditor's Report which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Act.

## 3 ACCOUNTING POLICIES

The condensed half-yearly financial statements have been prepared using the same accounting policies as set out in the Company's Annual Report and Financial Statements for the year ended 31 December 2015. They have been prepared on a going concern basis and in accordance with UK Generally Accepted Accounting Practice and applied in accordance with Financial Reporting Standard 104: Interim Financial Reporting and the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts, issued by the Association of Investment Companies in November 2014.

six months ended 30.06.16 unaudited £'000	six months ended 30.06.15 unaudited £'000	year ended 31.12.15 audited £'000
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## 4 INCOME

### Income from investments

Overseas dividends	1,031	615	1,404
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### Income from derivative instruments

Dividends on long CFDs	274	209	324
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### Total income

1,305	824	1,728
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# Notes to the Financial Statements

six months ended 30.06.16	six months ended 30.06.15	year ended 31.12.15
unaudited £'000	unaudited £'000	audited £'000

## 5 INVESTMENT MANAGEMENT FEE

Investment Management Fee	633	587	1,130
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FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management to FIL Investments International ("FIL"). FIL charges fees of 0.85% per annum based on the value of the Company's assets under management, including the exposure to the investments underlying the long CFDs, but excluding investment in any fund managed by the Manager. The fees are payable quarterly in arrears.

## 6 TAXATION ON RETURN/(LOSS) ON ORDINARY ACTIVITIES

The taxation charge of £103,000 (six months ended 30 June 2015: £61,000 and year ended 31 December 2015: £140,000) is irrecoverable overseas taxation suffered on dividend income.

six months ended 30.06.16	six months ended 30.06.15	year ended 31.12.15
unaudited	unaudited	audited

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

Revenue return/(loss) per ordinary share – pence	0.31	(0.15)	(0.14)
Capital return per ordinary share – pence	19.83	16.05	20.24
Total return per ordinary share – pence	20.14	15.90	20.10

The revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation for the period of £374,000 (six months ended 30 June 2015: net loss of £172,000 and year ended 31 December 2015: net loss of £160,000). The capital return per ordinary share is based on the net capital return on ordinary activities after taxation for the period of £23,884,000 (six months ended 30 June 2015: £18,296,000 and year ended 31 December 2015: £23,087,000). The total return per ordinary share is based on the net total return on ordinary activities after taxation for the period of £24,258,000 (six months ended 30 June 2015: £18,124,000 and year ended 31 December 2015: £22,927,000).

The returns/(losses) per ordinary share are all based on the weighted average number of ordinary shares in issue during the period of 120,433,450 (six months ended 30 June 2015: 114,019,063 and year ended 31 December 2015: 114,076,562).

There was no dilution in any of the periods as the average ordinary share price during the periods was below the exercise price of the subscription shares.

# Notes to the Financial Statements

## 8 FAIR VALUE HIERARCHY

The Financial Reporting Council defines a fair value hierarchy that classifies financial instruments measured at fair value at one of three levels, according to the relative reliability of the inputs used to measure their fair value.

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

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. The table below sets out the Company's fair value hierarchy:

	30 June 2016 unaudited		31 December 2015 audited		30 June 2015 unaudited	
	Level 1 £'000	Level 2 £'000	Level 1 £'000	Level 2 £'000	Level 1 £'000	Level 2 £'000
<b>Financial assets at fair value through profit or loss</b>						
Fixed assets investments						
- listed equities	158,060	-	115,532	-	109,254	-
Derivative instruments						
- long CFDs	-	1,856	-	1,056	-	206
	<u>158,060</u>	<u>1,856</u>	<u>115,532</u>	<u>1,056</u>	<u>109,254</u>	<u>206</u>
<b>Financial liabilities at fair value through profit or loss</b>						
Derivative instruments						
- long CFDs	-	(3,938)	-	(1,117)	-	(1,249)
	<u>-</u>	<u>(3,938)</u>	<u>-</u>	<u>(1,117)</u>	<u>-</u>	<u>(1,249)</u>

# Notes to the Financial Statements

	30 June 2016 unaudited		31 December 2015 audited		30 June 2015 unaudited	
	number of shares	£'000	number of shares	£'000	number of shares	£'000
<b>9 SHARE CAPITAL</b>	<hr/>					
<b>Ordinary shares of 25 pence each:</b> issued, allotted and fully paid						
<b>Beginning of the period</b>	114,218,356	28,555	114,002,375	28,501	114,002,375	28,501
Issue of ordinary shares on the exercise of rights attached to subscription shares	22,527,339	5,632	215,981	54	44,371	11
Repurchase of ordinary shares for cancellation	(500,000)	(125)	-	-	-	-
<b>End of the period</b>	<u>136,245,695</u>	<u>34,062</u>	<u>114,218,356</u>	<u>28,555</u>	<u>114,046,746</u>	<u>28,512</u>
<b>Subscription shares of 0.001 pence each:</b> issued, allotted and fully paid						
<b>Beginning of the period</b>	22,527,339	-	22,743,320	-	22,743,320	-
Exercise of rights attached to subscription shares and conversion into ordinary shares	(22,527,339)	-	(215,981)	-	(44,371)	-
<b>End of the period</b>	<u>-</u>	<u>-</u>	<u>22,527,339</u>	<u>-</u>	<u>22,698,949</u>	<u>-</u>
<b>Total share capital</b>		<u>34,062</u>		<u>28,555</u>		<u>28,512</u>

A bonus issue of subscription shares to ordinary shareholders on the basis of one subscription share for every five ordinary shares held took place on 27 August 2014. Each subscription share gave the holder the right, but not the obligation, on the last business day of each month to subscribe for one ordinary share upon payment of the subscription price of 86.50 pence.

# Notes to the Financial Statements

## 9 SHARE CAPITAL continued

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The final date to exercise those rights was 29 April 2016. After 29 April 2016, 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 issued were sold in the market and the profits of that sale, being the net proceeds less the 86.50 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.

During the period the Company issued 22,527,339 ordinary shares (year ended 31 December 2015: 215,981 and six months ended 30 June 2015: 44,371) on the exercise of rights attached to subscription shares. The subscription share price, of 86.50 pence per ordinary share issued, represented a premium of 61.50 pence per share over the 25 pence nominal value of each share. The total premium received in the period on the issue of ordinary shares of £13,855,000 (year ended 31 December 2015: £133,000 and six months ended 30 June 2015: £28,000) was credited to the share premium account.

During the period the Company repurchased and cancelled 500,000 ordinary shares (year ended 31 December 2015: nil and six months ended 30 June 2015: nil). The £125,000 nominal value of those shares cancelled was credited to the capital redemption reserve and the £413,000 cost of repurchasing the shares was charged to the other reserve.

## 10 NET ASSET VALUE PER ORDINARY SHARE

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The net asset value per ordinary share is based on net assets of £159,332,000 (31 December 2015: £116,000,000 and 30 June 2015: £111,049,000) and on the number of ordinary shares in issue at the period end of 136,245,695 (31 December 2015: 114,218,356 and 30 June 2015: 114,046,746). Net asset values per ordinary share are published by the London Stock Exchange on a daily basis.

There was no diluted net asset value per ordinary share at 30 June 2016 as all the outstanding subscription share rights were exercised on 9 May 2016, as disclosed in Note 9 above. The diluted net asset values per ordinary share at 31 December 2015 and 30 June 2015 are calculated on the basis of what the financial position would have been if all the rights attached to the subscription shares in issue (31 December 2015: 22,527,339 and 30 June 2015: 22,698,949) had been exercised on those dates. The basis of calculation is in accordance with guidelines laid down by the Association of Investment Companies.

## 11 TRANSACTIONS WITH THE MANAGER AND RELATED PARTIES

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FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management to FIL Investments International. Details of the management fees payable are disclosed in Note 5 above.

As at 30 June 2016, the Board consisted of five non-executive Directors (as shown in the Shareholder Information on page 21), all of whom are considered to be independent by the Board. David Miller retired from the Board on 24 May 2016. None of the Directors have a service contract with the Company.

The Chairman receives an annual fee of £30,000, the Audit Committee Chairman receives an annual fee of £23,000 and each other Director receives an annual fee of £20,000. The following members of the Board hold ordinary shares in the Company: David Robins 37,000 shares, Sir Laurie Magnus 48,000 shares, Philip Kay 12,183 shares and Mami Mizutori 11,063 shares.

# Shareholder Information

## INVESTING IN FIDELITY JAPANESE VALUES PLC

As Fidelity Japanese Values PLC is a company listed on the London Stock Exchange, you can buy its shares through a stockbroker, share shop or bank. Fidelity also offers a range of options, so that you can invest in a way that is best for you. Details of how to invest can be found on Fidelity's website at [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com)

## CONTACT INFORMATION

Existing shareholders who have a specific query regarding their holding or need to provide updated information, for example a change of address, should contact the appropriate administrator. This may be Capita, the Company's registrars or Fidelity, details of which are given below, or it may be another platform or administrator of your choice. Links to the websites of major platforms can be found online at [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com)

### Holders of ordinary shares on the main share register

Capita Asset Services, Registrars to Fidelity Japanese Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Telephone: **0871 664 0300** (calls cost 12p per minute plus network extras. If you are outside the United Kingdom, call **+44 371 664 0300**. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales).

Details of individual shareholdings and other information can also be obtained from the Registrar's website: [www.capitaassetservices.com](http://www.capitaassetservices.com)

### Fidelity investors (ISA, SIPP or General Investment Account)

Fidelity, using the freephone numbers given opposite or by writing to: UK Customer Service, Fidelity International, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ. Website: [www.fidelity.co.uk/fidelityits](http://www.fidelity.co.uk/fidelityits)

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

**Financial advisers:** call free on **0800 41 41 81**, 8am to 6pm, Monday to Friday.

### Fidelity Share Plan investors

Fidelity Investment Trust Share Plan, PO Box 12062, Mellon House, Ingrave Road, Brentwood, Essex CM14 9LX. Telephone: 0845 358 1107 (calls to this number are charged at 3.95p per minute from a BT landline dependent on the tariff. Other telephone service providers' costs may vary).

### General enquiries

General enquiries should be made to the Secretary, FIL Investments International, at the Company's registered office: FIL Investments International, Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP. Telephone: **01732 36 11 44**  
Website at [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com)

## FINANCIAL CALENDAR

- |                  |                                       |
|------------------|---------------------------------------|
| 30 June 2016     | - Half-Yearly period end              |
| 29 July 2016     | - Announcement of Half-Yearly results |
| August 2016      | - Publication of Half-Yearly report   |
| 31 December 2016 | - Financial year end                  |
| March/April 2017 | - Publication of Annual Report        |
| May/June 2017    | - Annual General Meeting              |

# Shareholder Information

## BOARD, MANAGER AND ADVISORS

### BOARD OF DIRECTORS

David Robins (Chairman)  
Philip Kay (Senior Independent Director)  
Sir Laurie Magnus (Audit Committee Chairman)  
Mami Mizutori  
Dominic Ziegler

### ALTERNATIVE INVESTMENT FUND MANAGER (AIFM/THE MANAGER)

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

### PORTFOLIO MANAGER, SECRETARY AND REGISTERED OFFICE

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

### FINANCIAL ADVISERS AND STOCKBROKER

Canaccord Genuity Ltd  
88 Wood Street  
London  
EC2V 7QR

### INDEPENDENT AUDITOR

Ernst & Young LLP  
25 Churchill Place  
London  
E14 5RB

### BANKER AND CUSTODIAN

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

### DEPOSITARY

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

### REGISTRAR

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

### LAWYER

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

# Glossary of Terms

## AIF

Alternative Investment Fund. The Company is an [AIF](#).

## AIFM

Alternative Investment Fund Manager. The Board has appointed FIL Investment Services (UK) Limited to act as the Company's [AIFM](#).

## AIFMD

The Alternative Investment Fund Managers Directive is a European Union Directive and came into force on 22 July 2013. The implementation date was 22 July 2014.

## CONTRACT FOR DIFFERENCE (CFD)

A [Contract For Difference](#) is a [derivative](#). It is a contract between the Company and an investment bank at the end of which the parties exchange the difference between the opening price and the closing price of the underlying asset of the specified financial instrument. It does not involve the Company buying or selling the underlying asset, only agreeing to receive or pay the movement in its share price.

A [Contract For Difference](#) allows the Company to gain access to the movement in the share price by depositing a small amount of cash known as margin. The Company may reason that the asset price will rise, by buying ("long" position) or fall, by selling ("short" position). If the Company trades long, dividends are received and interest is paid. If the Company trades short, dividends are paid and interest is received. The Company only uses long [Contracts For Difference](#).

## CUSTODIAN

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

## DEPOSITARY

An entity that oversees the custody, cash arrangements and other [AIFM](#) responsibilities of the Company. The Company's [Depositary](#) is J.P. Morgan Europe Limited.

## 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's shares 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** valued as the difference between the settlement price of the contract and the value of the underlying shares in the contract (unrealised gains or losses).

## GEARING

**Gearing** describes the level of a Company's borrowing and is 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 investments. **Gearing** is permitted in order to buy or gain exposure to further investments. If assets rise in value, **gearing** magnifies the return to ordinary shareholders. Correspondingly, if the assets fall in value, **gearing** magnifies the fall. **Contracts For Difference** are used as a way of gaining exposure to the price movements of shares without buying the underlying shares directly.

## GEARING PERCENTAGE

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

## 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 **derivatives** for **gearing** and investment rather than **hedging** purposes.

## INVESTMENT MANAGER

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

## LEVERAGE

Any method by which an **AIFM** increases the exposure of an AIF it manages whether through borrowing cash or securities, or **leverage** embedded in **derivative** positions or by any other means. **Leverage** is measured in terms of exposure and is expressed as a ratio of **net asset value**.

# Glossary of Terms

## MANAGER

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

## NET ASSET VALUE (NAV)

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

## NET ASSET VALUE PER ORDINARY SHARE – DILUTED

Represents the **net asset value per ordinary share – undiluted** adjusted to reflect the deemed effect of what the **net asset value** per share would have been if all the rights attached to any subscription shares in issue had been exercised. A dilution is deemed to occur when the exercise price of the subscription share rights is less than the **net asset value per ordinary share – undiluted**.

## NET ASSET VALUE PER ORDINARY SHARE – UNDILUTED

Represents the **net asset value** divided by the number of ordinary shares in issue.

## PREMIUM

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

## REFERENCE INDEX

Russell Nomura Mid/Small Cap Index (in sterling terms).

## REGISTRAR

An entity that manages the Company’s shareholders register. The Company’s **Registrar** is Capita Asset Services.

## RETURN/(LOSS)

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

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

# Glossary of Terms

## SHARE REPURCHASES

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

## SHAREHOLDERS' FUNDS

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

## TOTAL PORTFOLIO EXPOSURE

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

## TOTAL RETURN PERFORMANCE

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

## TREASURY SHARES

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







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