Fidelity Japanese Values PLC

Annual Report

For the year ended 31 December 2009

Managed by

Fidelity International

The Association of
Investment Companies

Contents

Objective and Highlights

William Thomson,
Chairman

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

Detail of the Company's investment policy is on pages 16 and 17

Performance

Net Asset Value ("NAV") Total Return – undiluted	+3.7%
Share Price Total Return	+16.2%
Russell Nomura Mid/Small Cap Index (in sterling terms)	-6.3%
Equity Shareholders' Funds	£53.1m
Market Capitalisation	£46.4m

Capital Structure: 95,577,453 Ordinary shares of 25p and 19,115,381 Subscription shares of 5p as at 31 December 2009

Standardised Performance (on a total return basis %)

	01/01/2005 to 31/12/2005	01/01/2006 to 31/12/2006	01/01/2007 to 31/12/2007	01/01/2008 to 31/12/2008	01/01/2009 to 31/12/2009
NAV – undiluted	+73.4	-35.6	-16.2	-19.6	+3.7
Share price	+110.9	-43.6	-20.4	-28.6	+16.2

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

Financial Summary

	2009	2008	% change
Assets at 31 December			
Total assets employed[1]	£53.10m	£75.17m	-29.4*
Shareholders' funds	£53.10m	£51.21m	+3.7
Contracts For Difference ("CFDs") exposure	£18.26m	n/a	
Borrowings as % of shareholders' funds	n/a	46.8%	
Borrowings less cash as % of shareholders' funds[2]	n/a	28.5%	
NAV per share – undiluted	55.56p	53.58p	+3.7
NAV per share – diluted[3]	55.47p	n/a	
Results for year to 31 December – see page 34			
Capital gain/(loss) per ordinary share	2.71p	(13.23p)	
Revenue loss per ordinary share	(0.73p)	(0.12p)	
Stockmarket Data at 31 December			
Russell Nomura Mid/Small Cap Index[4]	1.6994	1.8135	-6.3
Yen/£ exchange rate	150.335	130.332	-13.3
Ordinary share price year end	48.50p	41.75p	+16.2
high	52.00p	62.00p	
low	29.50p	30.75p	
Discount year end – undiluted	12.7%	22.1%	
high	31.0%	24.5%	
low	10.6%	3.6%	
Discount year end – diluted	12.6%	n/a	
Subscription share price year end	8.28p	n/a	
high	11.25p	n/a	
low	6.62p	n/a	
Returns for the year to 31 December			
NAV	+3.7%	-19.6%	
Ordinary share price	+16.2%	-28.6%	
Russell Nomura Mid/Small Cap Index[4]	-6.3%	+4.4%	
Total Expense Ratio[5]	2.17%	1.98%	

1 total assets less current liabilities. For prior year this excluded fixed term loan liabilities
2 cash for prior year includes cash held at bank and cash held as collateral with lender
3 the diluted net asset value is included in this report since the net asset value of each of the Company's shares exceeds the subscription exercise price of one of its subscription shares. Hence if the subscription shares were to convert at the year end date, the net asset value per share in issue would be diluted
4 in sterling terms
5 operating expenses (excluding interest) before tax based on average daily shareholders' funds

* Excluded in prior year "Total assets employed" were fixed term loan liabilities of £23.96m. These have been repaid in the current year and were largely replaced by an exposure via CFDs of £18.26m. Only the unrealised gain on this exposure is included in the current year's "Total assets employed"

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

For the year ended 31 December 2009

The Year's Results: NAV (undiluted) 55.56p (+1.98p; +3.7%)

The ordinary share price: price: 48.50p (+6.75p; +16.2%)

The subscription share price: 8.28p

Discount: 12.7% (22.1% in 2008)

PERFORMANCE REVIEW

Over the year to 31 December 2009, the undiluted net asset value of your Company's shares rose by 1.98p per share (3.7%). The increase in value was primarily due to a rebound in the Japanese stockmarket and the Manager's stock selection. The attribution analysis below shows that the rise in the stockmarket accounted for 4.34p of the increase in the net asset value per share and that the stock selection by our Manager added another 3.70p. Gearing accounted for an additional 2.31p. On the other hand, the increase in value was largely offset by currency losses (-7.84p per share) as a result of a weaker yen against sterling at the year end. The yen in practice had been stronger during the year but weakened at the time of the year end valuations resulting in these currency losses.

The increase in net asset value of 3.7% during 2009 represented an outperformance of 10.0% relative to our Benchmark, the Russell Nomura Mid/Small Cap Index (when expressed in sterling). Given signs of a more benign global macroeconomic backdrop and greater stability in financial systems, cyclical manufacturers performed better than other segments of the market. In the LCD and semiconductor industries signs of a cyclical bottom supported the share prices of electronic parts and materials producers. At the same time inventory restocking and healthier than expected final demand buoyed investor confidence in automobiles and parts makers. Although the generally strong yen posed downside risks to exporters' earnings, their aggressive cost cutting efforts have created a leaner, more competitive corporate landscape that will translate into higher operational leverage as revenues improve.

Performance was further enhanced by the effect of gearing. The Board made a decision in November 2009 to use derivatives for gearing purposes. We expect the use of Contracts For Difference ("CFDs") will provide the desired level of gearing at a lower cost.

MARKET REVIEW

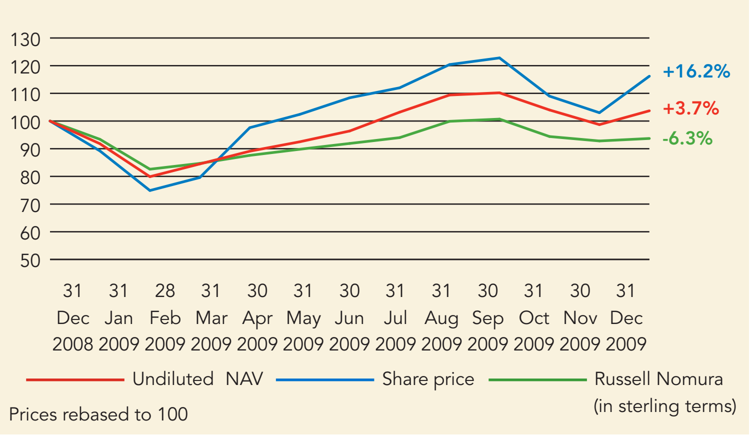
Against a backdrop of worldwide monetary easing and aggressive fiscal stimulus, global equity markets maintained a steady upward trajectory and Japanese stocks hit a high in August. Thereafter, however, Japanese stocks started to lose momentum and have since lagged their global peers. A landslide victory in Lower House elections by the Democratic Party of Japan ("DPJ"), which brought an end to more than half a century of dominance by the Liberal Democratic Party (LDP), failed to buoy investor sentiment as the DPJ quickly lost much of its political momentum after taking power in September.

The weak performance of financials, which faced heavy selling pressure due to concerns about regulatory and capital adequacy risks, and generally renewed strength in the yen precipitated market declines in the autumn. It was only in late November that the yen started to weaken against the dollar, triggering a sharp rebound in Japanese exporters' share prices. However, this was insufficient to offset previous declines during the year.

	Year ended 31 December 2009 (pence)	3 years to 31 December 2009 (pence)
Opening NAV (undiluted)	53.58	79.59
Impact of the Index (in yen terms)	4.34	-33.66
Impact of the Index income (in yen terms)	1.00	2.25
Impact of exchange rate	-7.84	26.56
Impact of stock selection	3.70	-6.72
Impact of gearing	2.31	-9.98
Impact of charges	-1.47	-4.92
Impact of share repurchases	–	0.20
Impact of cash/residual	-0.06	2.24
Closing NAV (undiluted)	55.56	55.56

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

Performance for the year to 31 December 2009



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

Chairman's Statement

Over the period, smaller companies held up relatively well, outperforming large caps. At the same time, a number of technology-related companies saw their share prices respond positively to earnings upgrades. The best performing sector within the small cap universe was transport equipment (including auto parts makers), followed by non-ferrous metals and electrical machinery.

GEARING

Following the repayment of the loans with The Royal Bank of Scotland PLC in August 2009 and November 2009 respectively, the Company has no loans. However, the Company has obtained equivalent exposure to the market through the use of Contracts For Difference ("CFDs"). Total assets employed as at 31 December 2008 amounted to £75.17m and, as at 31 December 2009, the total portfolio exposure was £71.36m comprising assets of £53.10m and exposure through CFDs of £18.26m. This change to the Company's Investment Policy was authorised by shareholders at a General Meeting held on 10 November 2009. At 31 December 2009 the long positions of the CFDs amounted to approximately 31.4% of the net asset value (see page 54 for further details).

The Company is using CFDs in the same way that it used the traditional bank loans – to increase the exposure to stocks. Due to the accounting treatment of CFDs, the exposure to shares held through CFDs is not treated on the Company's Balance Sheet in the same way as its normal equity investments. Only the unrealised gains and losses of the CFDs are shown.

Realised and unrealised gains and losses are reported via the capital column of the Income Statement, with income and expenses relating to CFDs being reported via the income column. Proceeds of CFDs are shown as a separate cash flow item.

Additional disclosures to the financial statements have been included explaining the Company's geared position through the use of CFDs, including details on how they are measured and how they are reported. Additional information is also given detailing the underlying exposure to the CFD holdings, and the full portfolio listing on page 53 of this report includes underlying exposure reporting. Further details on the use CFDs may be found in the Directors' Report on pages 16 to 18.

SUBSCRIPTION SHARES

At the General Meeting in November, a Bonus Issue of one subscription share for every five ordinary shares held by qualifying shareholders was authorised, together with the adoption of new Articles of Association for the Company. Each subscription share gives the holder the right, but not the obligation, to subscribe for one ordinary share at the end of each month from the end of February 2010 until the end of February 2013 inclusive. Each subscription share may only be exercised once. The exercise price is 55 pence per share based on the Company's NAV at 5.00pm on 10 November 2009, plus a 1% premium to such NAV, rounded up to the nearest whole penny. A total of 19,115,381 subscription shares were allotted on 11 November 2009. The subscription shares were listed and dealings commenced on these shares on 12 November 2009. The rights attaching to a total of 59,156 subscription shares were exercised at the end of February 2010, resulting in an allotment of 59,156 ordinary shares of 25p each. Further details on the subscription shares may be found in the Directors' Report on page 19.

THE BOARD

Your Board continues to monitor corporate governance issues, reviewing and updating processes as appropriate. In accordance with the Listing Rules, Simon Fraser, following an evaluation of his performance by his fellow Directors and on their recommendation, will seek re-election at the forthcoming Annual General Meeting. Simon Fraser retired from his executive responsibilities at Fidelity in 2008, however he has agreed to continue his directorship of the Company. Simon Fraser retires and seeks re-election on an annual basis due to his recent employment relationship with the Manager and his directorship of another investment trust managed by Fidelity, namely Fidelity European Values PLC. Having been on the Board for more than nine years and because he has not retired at the last two Annual General Meetings, Nicholas Barber is subject to retirement by rotation and seeks re-election at the forthcoming Annual General Meeting. He has proved to be a most diligent member of the Board and has discharged his duties as Senior Independent Director conscientiously.

Having been on the Board for more than nine years I will also retire and, following an evaluation of my performance by my fellow Directors and on their recommendation, I will seek re-election at the forthcoming Annual General Meeting.

SHARE REPURCHASES

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

ANNUAL GENERAL MEETING – 13 MAY 2010

The Annual General Meeting will be held at midday on 13 May 2010 at Fidelity's offices at 25 Cannon Street in the City of London and all investors are encouraged to attend. It is the one occasion in the year when shareholders can meet all of the Directors as well as representatives from the Manager. Following the meeting the Portfolio Manager will give a presentation on the past year and the prospects for the current year.

CONTINUATION VOTE

The Articles of Association of the Company require a continuation vote every three years. An ordinary resolution that the Company continue as an investment trust for a further three years was passed at the 2007 Annual General Meeting. A further continuation vote will take place at this year's Annual General Meeting.

During the past year your company significantly outperformed the Russell Nomura Mid/Small Cap Index (in sterling terms) and there are encouraging signs for Japanese companies, particularly those focussed on high growth service sectors and those with exposure to China and elsewhere in Asia. Therefore your Board recommends that shareholders vote in favour of the continuation vote. A further continuation vote will take place at the Annual General Meeting in 2013.

OUTLOOK

In the near term, sovereign credit concerns in Europe and other macro uncertainties such as a tightening of monetary policy in China could potentially fuel yen appreciation and diminish investors' confidence in Japanese companies' earnings recovery. However, your Board believes that there is the potential for Japanese stocks to catch up with their global peers in 2010.

Japan's production recovery is gathering pace due to the completion of inventory adjustments for electronic components and devices, supported by firm demand in overseas markets, particularly in Asia and other emerging markets. This resulted in stronger than expected GDP growth of +4.6% annualised in the fourth quarter of 2009. While this pace of growth is unlikely to be sustainable, the implementation of additional stimulus measures by the government and continued strength in Japanese exports should provide a reasonably favourable backdrop for corporate earnings.

In the meantime, many Japanese companies have achieved a significant improvement in profit margins primarily due to far reaching cost cutting efforts. We believe that these companies will continue to display a clear recovery trend into the 2010 Japanese fiscal year as they remain disciplined about cost reductions amid a more benign macro economic environment. There is potential for these profits to lead to a continuation of the trend of improved dividend yields.

William Thomson
Chairman
15 March 2010

Manager's Review

FIL INVESTMENTS INTERNATIONAL
The Company is managed by FIL Investments International (which is authorised and regulated by the Financial Services Authority). FIL Investments International is part of the FIL Limited group which, as at 31 December 2009, had total assets under management exceeding £130 billion.

SHINJI HIGAKI (age 40)
Shinji Higaki has been managing the Company's portfolio since September 2007. He also manages a retail Japanese smaller companies fund. He joined Fidelity in 1999 as an equity research analyst prior to which he was employed as an auditor of Chuo Audit Corporation in Tokyo. Shinji received an MBA from the London Business School and a Bachelor of Arts from Keio University.

PERFORMANCE REVIEW

The undiluted net asset value of the Company rose by 3.7% compared with a 6.3% decline in the Russell Nomura Mid/Small Cap Index (all figures in sterling terms).

Alongside most major stockmarkets, the Japanese equity market reached its low point in March 2009 during the financial crisis. Subsequent to that, an unprecedented worldwide fiscal and monetary policy response to the global financial crisis successfully stabilised economies. Credit spreads narrowed, risk aversion receded and equity markets responded with a powerful rally. Although most major equity markets reached new year to date highs in the fourth quarter, the performance of Japanese stocks was poor in comparison. Additional monetary easing by the Bank of Japan and a reversal in yen appreciation precipitated a rebound towards the end of the review period, however it was insufficient to offset previous declines. Despite growing confidence in the global economic recovery, Japan-specific factors such as a stronger yen, political uncertainty and widespread equity financing impeded the market.

A rapid increase in the number of equity financing deals had a negative impact on the market. The extent of new share offerings increased dramatically in 2009, totalling an estimated ¥5 trillion for the year. This constituted a relatively high proportion of total market capitalisation and the majority of deals were concentrated in the second half of the year when market conditions were mixed. During the review period, the Democratic Party of Japan and its allies formed a majority in the Diet's Lower House. This marked the first meaningful political realignment since the end of the Second World War and introduced an element of political uncertainty which financial markets rarely welcome. The year was also characterised by a stronger yen which, against the backdrop of a moribund domestic economy, hampered the ability of the export sector to compete.

Although the stockmarket failed to make significant headway over the review period, sector rotation in the equity market was quite dramatic and a mirror image of 2008. Thus domestic and defensives sectors, such as utilities and information and communication underperformed the market, whereas economically sensitive sectors such as automobiles and technology performed very well.

PORTFOLIO REVIEW

Your Company significantly outperformed the Russell Nomura Mid/Small Cap Index (in sterling terms).

A portfolio strategy with significant exposure to undervalued cyclical manufacturers and to fast-growing internet related services proved rewarding. Among cyclical stocks, the Company's emphasis on niche automotive parts manufacturers was well rewarded. A cyclical upswing in the automobile value chain, driven by inventory restocking, strong end demand in emerging markets and signs of progress in cost cutting created an ideal environment for auto parts manufacturers. Moreover, a reversal in yen appreciation towards the end of the year fuelled gains in their share prices. The Company's holdings in the TFT-LCD value chain – major detractors from relative returns in 2008 – also enjoyed a strong return reversal and added significant value. Furthermore, holdings in the internet based consumer service providers appreciated on expectations of strong secular top line growth despite weak consumer spending.

At the individual stock level, an online advertising company, Cyber Agent, was the single largest contributor to the Company's relative returns over the year under review. Although online advertising growth remained sluggish, Cyber Agent's e-commerce and fee based services, such as its blog and SNS (social networking services), continued to expand and impressive second quarter results reflected the strength of these operations. Automotive parts makers including

Takata (seat belts), TS Tech (seats), Toyota Boshoku (interior fabric and components) also ranked among the leading contributors to performance. These niche manufacturers appreciated as the yen weakened towards the end of the year and as expectations grew for a recovery in global demand. Other major contributors included producers of LCD parts and materials. A cyclical upturn in demand for flat panel displays and signs of progress in cutting costs accelerated gains in their share prices. A glass maker, Nippon Electric Glass, benefited from a recovery in sales of LCD glass substrates, and Daicel Chemical from a pickup in shipments of triacetyl cellulose films.

Conversely, a holding in consumer finance company Promise detracted from relative returns due to concerns about additional claims for reimbursements of excessive interest charges. The share price performance of Zappallas was also disappointing, but the overweight position was maintained, as new sales opportunities through NTT Docomo (Japan's largest mobile communication provider) were expected to help sustain its mid-term growth. Generic drug producer Nichi-iko Pharmaceutical's share price suffered a setback following the disclosure of talks of a potential cutback in the government's subsidies for the promotion of generic drug usage. However, an overweight position was maintained, as it should benefit from the long term expansion of the generic drug market in Japan as the population ages and costs become a key focal point.

The portfolio strategy remains focussed on highly-competitive mid/small caps stocks in the fast growing internet based services area. The largest single stock position was held in M3, a provider of a medical portal site. An expansion of the membership base continues to drive the firm's strong sales growth. Exposure was increased to the fast growing SNS providers and leading developers of online games and content for mobile phones which are seeing strong gains in membership numbers and page views. Prime examples are DeNA and Gree. Holdings were also increased in Cyber Agent as there is clear evidence that it has started to successfully monetise its blog service. At the same time, a relatively large exposure was maintained to cyclical stocks in the automobile and technology sectors, which should benefit from a recovery in global demand. Within the technology sector, overweight positions were maintained in electronic components and equipment for hard disk drives and semiconductors such as Tokyo Electron, Horiba and Nichicon. A rapid recovery in final demand for PCs and handsets is expected to drive their earnings recovery. Exposure was reduced in pharmaceutical and food producers including Tsumura and Toyo Suisan Kaisha, which are of a defensive nature, while the portfolio remains geared towards a recovery in global economic activity.

The number of holdings in the fund increased from 100 a year ago to 114. This mirrors the availability of attractive investment opportunities in the market. However, the portfolio remained fairly concentrated.

OUTLOOK

Since the onset of the global financial crisis, a stabilisation in economic activity has been occasioned by an unprecedented and globally co-ordinated fiscal and monetary policy response. This has led to a sharp recovery in some jurisdictions, with the emerging market economies proving to be a particularly important component of global growth. This has undoubtedly put pressure on sovereign debt levels in many western countries and it has yet to be seen whether this will be sufficient to stimulate sustained credit growth.

Whilst Japan's geographical position has allowed it to benefit from Asia's economic rebound, the domestic economy currently remains unable to shake off what has been a deflationary environment for over a decade. Moreover, the extent of Japan's negative output gap indicates that price declines will continue well into 2011 and private domestic demand is unlikely to embark on a self sustaining recovery in the near future.

However, there are some substantial positives from the corporate sector in Japan and these are likely to be best captured amongst mid and small sized companies. First, the inventory rebuild following the global financial crisis is likely to drive the potential for positive earnings revisions ahead of the full year results season in the spring. In the 2010 Japanese fiscal year, assuming an uptrend in global economic activity and a more stable exchange rate, a sharp rebound in corporate profits should emerge. Second, in certain cases aggressive cost cutting has left companies operationally geared into improving top line growth. Where this powerful combination exists there could emerge some large earnings surprises in 2010. We believe that divergence in earnings growth, which is often ignored during the early stages of recovery, will become increasingly important as the early stage of recovery ends. This is where many future opportunities should emerge and where stock picking will be particularly important.

It is also the case that many smaller companies, which due to their limited liquidity were particularly badly affected during the recent fall in the Japanese market, offer good upside potential as earnings recover. Currently, the proportion of mid and small cap stocks which trade below book value remains high and they also compare favourably with large cap stocks. We remain focussed on mid and small cap stocks geared into an improving top line growth, which bodes well for both margins and earnings growth.

FIL Investments International
15 March 2010

Ten Largest Investments

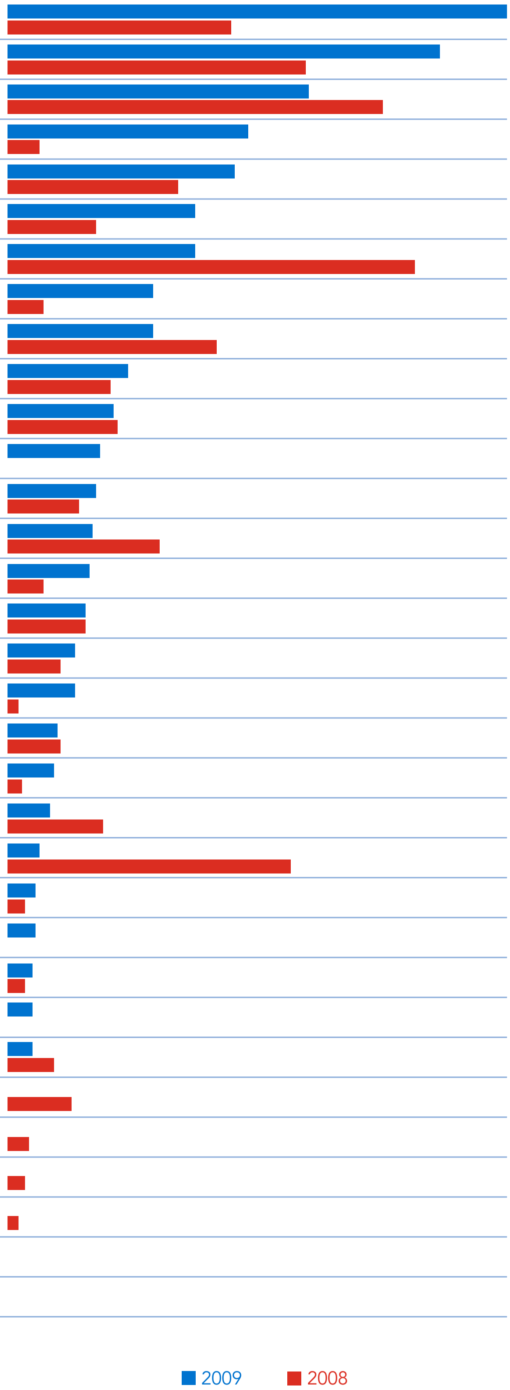
Ten Largest Investments (including derivatives) as at 31 December 2009 (The Full Portfolio Listing is set out on pages 51 to 53)	Exposure £'000	Fair Value £'000	Total Exposure %[1]
Kakaku.Com (CFD) Provides price comparison services and product information	1,723	301	2.5
M3 (CFD) Medical related internet service provider	1,702	60	2.4
Sekisui Chemical (CFD) Engaged in housing construction, housing materials, high-performance plastic segments and flat panel displays	1,597	196	2.3
Takata (CFD) Develops, manufactures and sells safety products for automobiles	1,512	304	2.2
FP (CFD) Manufactures polystyrene and synthetic resins	1,428	(1)	2.0
Nifco Manufacturer of industrial plastic components, home furniture, publishing and electronic devices	1,409	1,409	2.0
Panasonic Electric Works (CFD) Provides lighting, information equipment, wiring, home appliances, building, electronic, plastic materials and automation control products	1,374	167	2.0
Cyber Agent Information technology company	1,345	1,345	1.9
Fast Retailing (CFD) Manufactures and sells clothing in the domestic and overseas market	1,154	89	1.7
EPS Provider of medical related services	1,131	1,131	1.6
Ten largest investments (2008: 18.7%)	**14,375**	**5,001**	**20.6**
Other investments (2008: 68.2%)	**53,630**	**46,333**	**76.9**
Cash[2] and other net current assets (2008: 13.1%)	**1,770**	**1,770**	**2.5**
	69,775	**53,104**	**100.0**

1 % based on total exposure which is the fixed asset investments plus the fair value of the underlying securities within the CFDs (see Full Portfolio Listing on pages 51 to 53 for further details)

2 cash for the prior year includes cash held at bank and cash held as collateral with lender

Distribution of the Portfolio[1] as at 31 December 2009

Investments (including derivatives)	2009 %	2008 %
Electrical Machinery	14.1	6.3
Chemicals	12.2	8.2
Services	8.5	10.6
Transport Equipment	6.8	0.9
Banks	6.4	4.6
Machinery	5.3	2.5
Retail Trade	5.3	11.5
Construction	4.1	1.0
Information & Communications	4.1	5.9
Glass & Ceramics	3.4	2.9
Pharmaceuticals	3.0	3.1
Other Products	2.6	–
Wholesale Trade	2.5	2.0
Electric Power & Gas	2.4	4.3
Other Financing Business	2.3	1.0
Insurance	2.2	2.2
Oil & Coal Products	1.9	1.5
Textiles & Apparel	1.9	0.3
Land Transportation	1.4	1.5
Securities	1.3	0.4
Rubber Products	1.2	2.7
Foods	0.9	8.0
Real Estate	0.8	0.5
Steel Products	0.8	–
Metal Products	0.7	0.5
Mining	0.7	–
Non-ferrous Metals	0.7	1.3
Pulp & Paper	–	1.8
Marine Transportation	–	0.6
Precision Instruments	–	0.5
Fishing, Agriculture & Forestry	–	0.3
Cash[2] & other net current assets	2.5	13.1
Total	**100.0**	**100.0**



1 % based on total exposure which is the fixed asset investments plus the fair value of the underlying securities within the CFDs
2 cash for prior year includes cash held at bank and cash held as collateral with lender

Summary of Performance

Historical Record as at 31 December	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Total assets employed (£m)	53	75	79	92	137	86	76	59	71	100	215
Shareholders' funds (£m)	53	51	65	78	121	70	59	42	54	73	186
NAV per share (p) – undiluted	55.56	53.58	66.67	79.59	123.56	71.26	60.42	42.82	53.12	69.81	176.88
NAV per share (p) – diluted	55.47	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ordinary share price (p)	48.50	41.75	58.50	73.50	130.25	61.75	51.00	35.00	41.25	63.75	161.75
Warrant price (p)	n/a	n/a	n/a	n/a	n/a	n/a	0.35	1.50	7.50	14.25	82.50
Subscription share price (p)	8.28	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
(Discount)/premium to NAV (%) – undiluted	(12.7)	(22.1)	(12.3)	(7.7)	5.4	(13.3)	(15.6)	(18.3)	(22.3)	(8.7)	(1.4)
Discount to NAV (%) – diluted	(12.6)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Revenue loss per ordinary share (p)	(0.73)	(0.12)	(0.49)	(0.68)	(1.02)	(0.89)	(0.65)	(0.69)	(1.22)	(2.01)	(1.64)
Dividend per ordinary share (p)	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil
Cost of running the Company (total expense ratio) (%)	2.17	1.98	1.65	1.46	1.83	1.83	1.93	1.63	1.93	1.52	1.50
Borrowings less cash as % of shareholders' funds (%)	n/a	28.5	20.7	16.9	11.5	22.0	22.6	32.6	28.2	28.3	11.6
NAV (%) – undiluted	+3.7	-19.6	-16.2	-35.6	+73.4	+17.9	+41.1	-19.4	-23.9	-60.5	+340.0
Share price performance (%)	+16.2	-28.6	-20.4	-43.6	+110.9	+21.1	+45.7	-15.2	-35.3	-60.6	+462.6

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

Summary of Performance

The Company was launched on 17 November 1994 with one warrant attached to every five shares (the final subscription date for the warrants was 30 April 2004). The original subscription price for each share was £1. The Company issued one subscription share for every five ordinary shares held on 11 November 2009. The Company is a member of The Association of Investment Companies ("AIC") from whom general information on investment trusts can be obtained by telephoning 020 7282 5555 (email address: enquiries@theaic.co.uk).

PRICE INFORMATION

The market price of the ordinary shares is published daily in the Financial Times under the heading "Investment Trusts". The ordinary share price is also published in The Times, The Daily Telegraph and The Independent. You can also obtain current price information by telephoning Fidelity on 0800 41 41 10 (freephone) or by phoning FT Cityline on 0906 843 0000, selecting option 2 and entering 4021 (all calls charged at 60p per minute on a per second basis from a BT landline. Charges for other telephone networks may vary). The Reuters code for Fidelity Japanese Values is FJV.L for the ordinary shares and FJVS for the subscription shares.

NAV INFORMATION

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

CAPITAL GAINS TAX

Your Directors have been advised that, for the purposes of calculating an investor's possible liability to capital gains tax, the base cost of ordinary shares and warrants, acquired at the time of the Company's launch, is 90.21p.

All UK individuals under present legislation are permitted to have £10,100 of capital gains in the current tax year 2009/2010 (2008/2009 tax year: £9,600) before being liable for capital gains tax. Whilst capital gains tax up until 5 April 2009 was charged at an individual's marginal rate, from 6 April 2009 capital gains tax is charged at a flat rate of 18%.

The receipt by ordinary shareholders of the subscription shares arising from the Bonus Issue is treated as a reorganisation of the share capital of the Company.

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

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

Base cost of ordinary share equals

actual base cost to the shareholder of the ordinary shares

multiplied by

market value of the ordinary shares on 12 November 2009

divided by

market value of the ordinary shares on 12 November 2009

plus

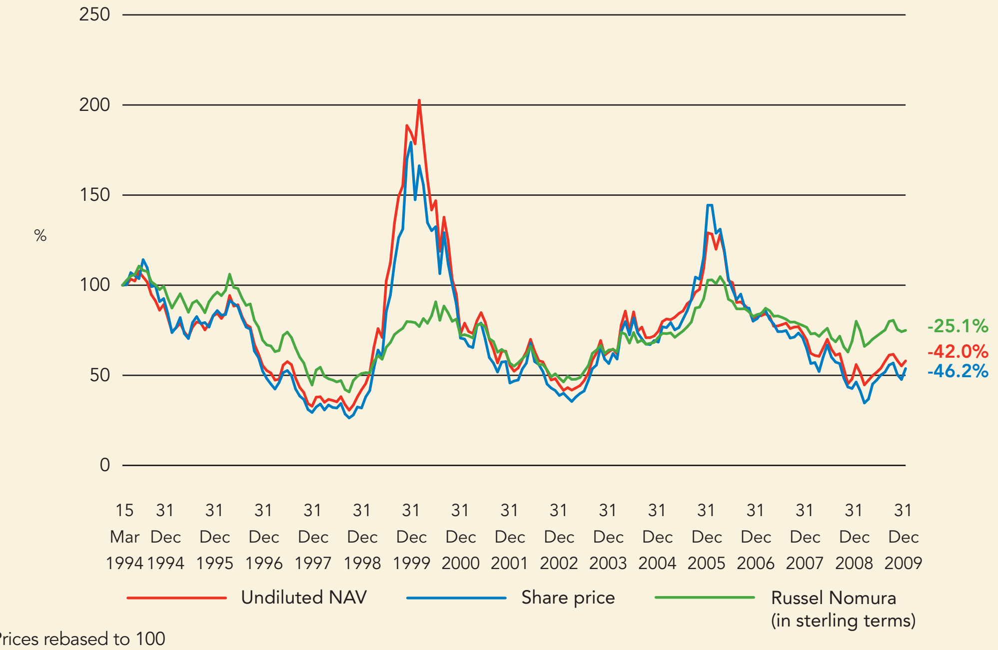
market value of the subscription shares on the same date.

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

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

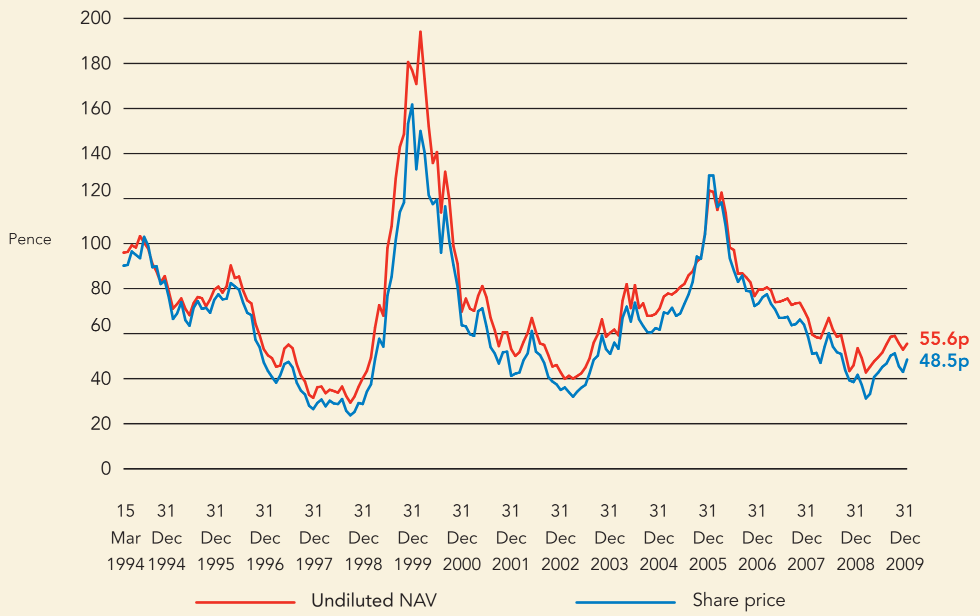
Summary of Performance

Total return performance from launch to 31 December 2009



Prices rebased to 100

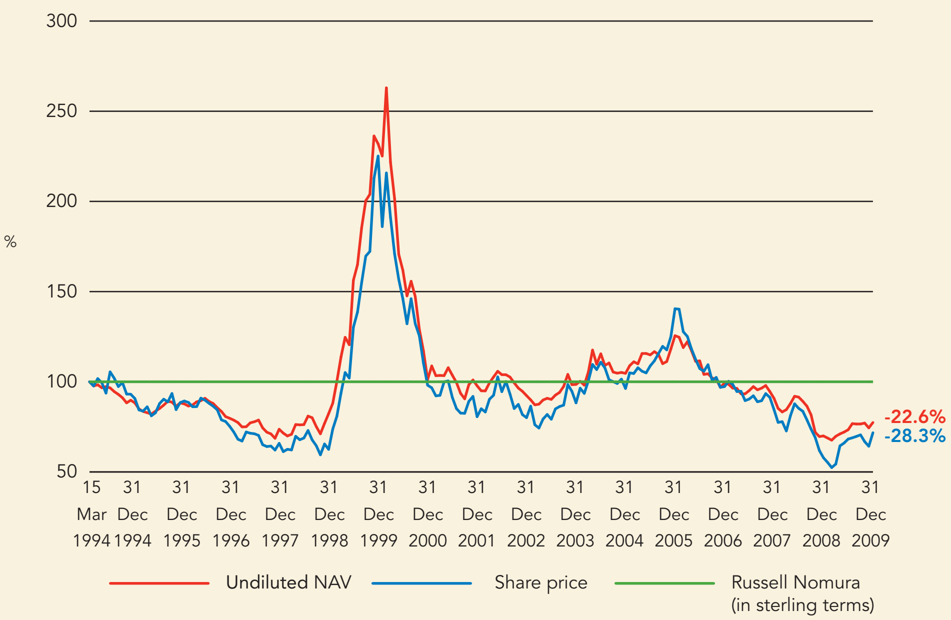
NAV and share price in pence from launch to 31 December 2009



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

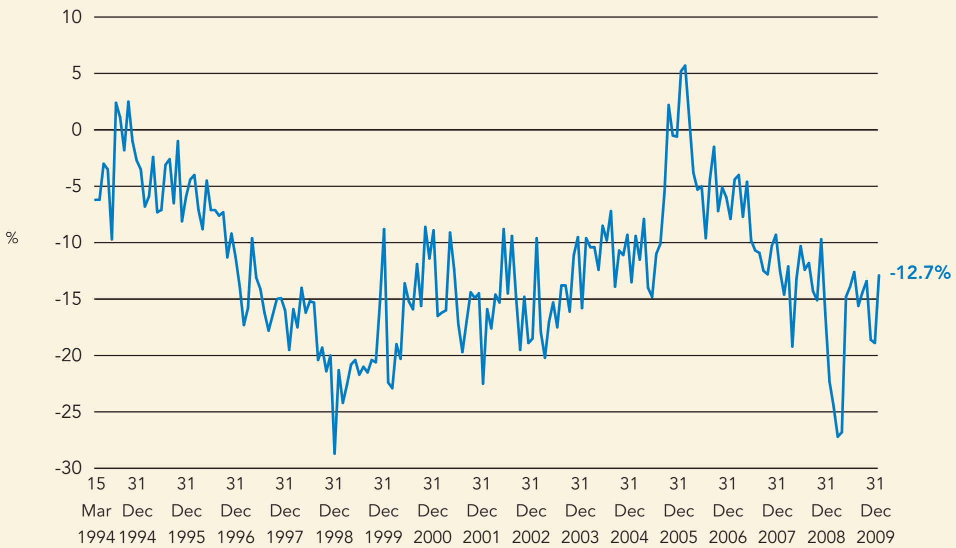
Summary of Performance

Total return performance relative to the index from launch to 31 December 2009



Prices rebased to 100

Share price (discount)/premium to NAV from launch to 31 December 2009



Based on figures at month end only

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

Corporate Information

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

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

Financial Advisers and Stockbrokers
Collins Stewart
88 Wood Street
London
EC2V 7QR

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

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

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

Lawyers
Slaughter and May
One Bunhill Row
London
EC1Y 8YY

William Thomson[1]
(Chairman) (age 69, date of appointment: 1 May 1997, date of appointment as Chairman: 31 December 2004) is Chairman of E G Thomson (Holdings) Limited. This business is primarily involved in the provision of shipping agency services in Asia. He is also non-executive Chairman of John Menzies plc.

Nicholas Barber, CBE[2]
(Senior Independent Director) (age 69, date of appointment: 4 December 2000, date of appointment as Senior Independent Director: 10 March 2005) is Chairman of Bolero International Limited. His executive career was with Ocean Group plc (later Exel PLC), with whom he spent a year in Japan; he was Group Chief Executive from 1986 to 1994.

Board of Directors

Simon Fraser[3]

(age 50, 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 Designate of Foreign and Colonial Investment Trust plc. He is also a director of Barclays PLC, Barclays Bank PLC, Merchants Investment Trust plc and Fidelity European Values PLC.

Philip Kay[2]

(age 54, date of appointment: 29 October 2004) is a former Managing Director and Senior Advisor of Credit Suisse First Boston where he ran the global Japanese cash equity business. He is a director of a Japanese hedge fund, Akamatsu Fund, and was previously a director of Schroder Securities Limited and of Smith New Court PLC.

David Miller, OBE[2]

(age 63, date of appointment: 29 October 2004) is a director of FBG Investment Limited and a number of other unquoted companies. He was with Robert Fleming Group from 1972 to 1991, was resident in Japan for nearly eight years and was head of the Fleming group's Tokyo office.

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

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 2009.

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

STATUS

HM Revenue & Customs has approved the Company as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 December 2007 and has granted provisional approval for the year ended 31 December 2008, although this approval may be subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The Directors are of the opinion that the Company has subsequently conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under that Section.

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

BUSINESS REVIEW

INTRODUCTION

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

OBJECTIVE & STRATEGY

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

ACTIVITY

The Company's activity is to pursue the objective through operating as an investment trust company. A review of the year's activities and an indication of likely future developments and the factors likely to affect this are given in the Chairman's Statement on pages 3 to 5 and in the Manager's Review on pages 6 and 7. The Board supports these views.

INVESTMENT POLICY

The markets in which the Company may invest will comprise primarily the Tokyo Stock Exchange, the Jasdaq and the regional stockmarkets of Fukuoka, Nagoya, Osaka and Sapporo. In order to diversify the Company's portfolio, the Board has set guidelines for the Manager to restrict investment to a maximum of 7.5% in the aggregate of all securities of any one company or other investment entity (10% for any group of companies) at the time of purchase, which is further limited to 12% of the Company's equity portfolio based on the latest market value.

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

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

A maximum of 15% of the Company's total assets may be invested in the securities of other investment trust companies. As at 31 December 2009 there were no such holdings in the Company's portfolio (2008: nil).

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

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

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

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

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

FIDELITY'S INVESTMENT MANAGEMENT PHILOSOPHY, STYLE AND PROCESS

Fidelity's distinctive investment approach is "bottom up" stock picking – investing in companies on the basis of their underlying strengths, facilitated by extensive research capabilities. Fidelity International has over 120 analysts and research associates, including 33 based in Tokyo with a hands-on approach to knowledge accumulation. Fidelity's analysts evaluate companies, meet their management and workforce and interpret the effects of international and local events. They contact hundreds of companies every week. This first hand research is fundamental to Fidelity's ability to seek the success stories of the future. Portfolio managers work closely with the Fidelity analyst team and also have access to a wide range of research produced by third parties.
(Data as at 31 December 2009)

KEY PERFORMANCE INDICATORS ("KPIs")

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

	Year ended 31 December 2009	3 Years ended 31 December 2009	5 Years ended 31 December 2009
Net Asset Value Return (undiluted)	+3.7%	-30.2%	-22.0%
Ordinary Share Price Return	+16.2%	-34.0%	-21.5%
Russell Nomura Mid/Small Cap Index (in sterling terms)	-6.3%	-10.5%	+5.4%

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

ATTRIBUTION ANALYSIS

	Year ended 31 December 2009 (pence)	3 years to 31 December 2009 (pence)
Opening Net Asset Value (undiluted)	53.58	79.59
Impact of the Index (in yen terms)	4.34	-33.66
Impact of the Index income (in yen terms)	1.00	2.25
Impact of exchange rate	-7.84	26.56
Impact of stock selection	3.70	-6.72
Impact of gearing	2.31	-9.98
Impact of charges	-1.47	-4.92
Impact of share repurchases	–	0.20
Impact of cash/residual	-0.06	2.24
Closing Net Asset Value (undiluted)	55.56	55.56

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

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

Directors' Report

PRINCIPAL RISKS, UNCERTAINTIES AND RISK MANAGEMENT

The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the internal controls process, identifies the key risks that the Company faces. The matrix has identified strategic, marketing, investment management, statutory and administrative and operational and support function risks. The Board reviews and agrees policies for managing these risks. The process is regularly reviewed by the Board in accordance with the FRC's "Internal Control: Revised Guidance for Directors on the Combined Code". Risks are identified, introduced and graded. This process, together with the policies and procedures for the mitigation of risks, is updated and reviewed regularly in the form of comprehensive internal controls reports considered by the Audit Committee. The key risks identified within this matrix are:

Market

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

Risks to which the Company is exposed and which form part of the market risks category are included in Note 17 to the financial statements on pages 45 to 50 together with summaries of the policies for managing these risks. These comprise: market price risk; foreign currency risk; interest rate risk, liquidity risk; counterparty risk and credit risk.

The Company had fixed term, fixed rate loan facilities in place which were repaid during 2009. The extent to which any loan facilities will be renewed will be kept under the most careful scrutiny. In November 2009 shareholder authority was obtained to amend the Company's investment policy to permit gearing by way of CFDs. In addition a day to day overdraft facility can be used if required. The impact of limited finance from counterparties including suppliers has not affected the Company to date, however there are alternative suppliers available in the market place should the need arise.

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

Investment management

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

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

Share price

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

Currency

The Company's total return and balance sheet are affected by foreign exchange movements because the Company has assets and income which are denominated in yen whilst the Company's base currency is sterling. While it is the Company's policy not to hedge currency, the fact that borrowings by way of CFDs are in yen means that part of the investment portfolio funded by borrowing is naturally hedged against changes in the yen:sterling exchange rate. Further detail can be found in Note 17 to the financial statements on pages 45 to 50.

Governance/regulatory, financial, operational administration

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

Financial instrument risks

The financial instrument risks faced by the Company are shown in Note 17 to the financial statements on pages 45 to 50. The additional risk to the Company of using CFDs rather than traditional forms of borrowing is that the Company does not own the Japanese equities to which the CFDs give exposure and is at risk if the counterparty defaults, for example for insolvency reasons. The balance on all outstanding CFDs is calculated on a daily basis with collateral then adjusted so that collateral equal to the outstanding balance has been recognised, although no collateral adjustment is made where the balance is less than US$1 million. This results in a potential exposure which could be increased due to settlement practices and timing differences, to a maximum of US$1 million plus three days' unrealised trading profits.

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

Environmental, employee, social and community matters
The Company is an investment trust which is managed by FIL Investments International. The Company has no employees and all of its Directors are non-executive, the Company's day to day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Board fully endorses Fidelity's strong procedures which are involved in the making of its investments.

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

SOCIALLY RESPONSIBLE INVESTMENT
The Manager's primary objective is to produce superior financial returns to investors. It believes that high standards of corporate social responsibility ("CSR") make good business sense and have the potential to protect and enhance investment returns. Consequently, its investment process takes social, environmental and ethical issues into account when, in its view, these have a material impact on either investment risk or return.

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

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

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

GENERAL

RESULTS AND DIVIDENDS
The revenue column of the Income Statement shows a deficit after taxation for the year of £696,000 and therefore the Directors do not recommend the payment of a dividend.

SHARE CAPITAL AND BONUS ISSUE
The Company's issued share capital comprises ordinary shares of 25 pence each and subscription shares of 5 pence each. As at 31 December 2009 the total number of ordinary shares in issue was 95,577,453 (2008: 95,577,453). Each ordinary share in issue carries one vote. Deadlines for the exercise of voting rights are detailed in the Notes to the Notice of Meeting. Deadlines for the exercise of voting rights and details of arrangements by which someone other than the shareholder can exercise voting rights are detailed in the Notes to the Notice of Meeting on pages 56 and 57.

On 10 November 2009 a General Meeting was held at which a Bonus Issue of one subscription share for every five ordinary shares held by qualifying shareholders was authorised, together with the adoption of new Articles of Association for the Company.

Each subscription share gives the holder the right, but not the obligation, to subscribe for one ordinary share at the end of each month from the end of February 2010 until the end of February 2013 inclusive. Each subscription share may only be exercised once. The exercise price is 55 pence per share based on the Company's NAV at 5.00pm on 10 November 2009, plus a 1% premium to such NAV, rounded up to the nearest whole penny. A total of 19,115,381 subscription shares were allotted on 11 November 2009. The subscription shares were listed and trading commenced on these shares on 12 November 2009. These subscription shares do not carry voting rights. Details of the subscription shares for capital gains tax purposes may be found on page 11.

SHARE ISSUES
Other than the issue of subscription shares as detailed above, no shares were issued during the year (2008: nil).

SHARE REPURCHASES
At the Annual General Meeting held on 14 May 2009 the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to 14,327,060 ordinary shares in the market for cancellation. No ordinary shares were repurchased for cancellation during the year (2008: 1,450,000 shares). The authority expires on 13 May 2010 and a special resolution to renew the authority will therefore be put to shareholders for approval at the forthcoming Annual General Meeting.

Directors' Report

At the General Meeting held on 10 November 2009, the shareholders passed a special resolution which granted the Directors authority to purchase up to 2,865,395 subscription shares in the market for cancellation. No subscription shares were repurchased for cancellation during the year ended 31 December 2009. The authority expires on 10 February 2011 and a special resolution to renew the authority will therefore be put to the shareholders for approval at the forthcoming Annual General Meeting.

POLITICAL AND CHARITABLE DONATIONS

The Company has not made any political or charitable donations in the year (2008: nil).

PAYMENT OF CREDITORS

The Company's principal supplier is the Manager who is paid in the month following the end of each calendar quarter, in accordance with the terms of the Management Agreement. The Company's policy for all suppliers is to fix terms of payment when agreeing the terms of each business transaction to ensure that the supplier is aware of these terms and to abide by the agreed terms of payment. The Company did not have any trade creditors during the year (2008: nil). Other suppliers are paid in accordance with the individual payment terms agreed with each supplier.

MANAGEMENT COMPANY

A Management and Secretarial Services Agreement (the "Agreement") dated 6 February 2006 was made between the Company and FIL Investments International (the "Manager"), under which the Manager has agreed to provide investment management, administrative and secretarial services to the Company. Details of the Agreement are set out in the Corporate Governance Statement on page 28.

The Manager also provides certain other services, including marketing and administration, in connection with the Fidelity Investment Trust Share Plan, the Fidelity Investment Trust Personal Equity Plan and the Fidelity Individual Savings Account under an Agreement dated 12 March 1996. Fees payable under this Agreement for the year to 31 December 2009 were £59,700 (2008: £36,600).

An amount of £244,400 (2008: £235,100) was due to the Manager under the above agreements at 31 December 2009 and is included in creditors in Note 11 on page 43.

Fidelity has adopted a broker segmentation policy, which has reduced the number of brokers used, and allows it to concentrate on those brokers who, in its opinion, offer the best service in terms of overall execution. These brokers are Fidelity's "core" brokers. At the same time, the Manager evaluates the research provided by other brokers and uses some of them for their research. These brokers are called Secondary State Research firms ("SSRs").

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

The Manager has an arrangement with certain brokers whereby a portion of commissions from security transactions may be paid to the Company to reduce transaction costs. Amounts received by the Company under this arrangement are credited to capital. In the year to 31 December 2009 £6,700 was received (2008: £13,500).

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

As at the date of this report FIL Limited has an interest in 6,854,100 ordinary shares in the Company (7.17%) and 1,370,820 subscription shares (7.17%).

DIRECTORS

Details of the Directors who served during the year to 31 December 2009 are set out on pages 14 and 15.

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

In accordance with the Listing Rules, Simon Fraser, a recent employee of the Manager, is subject to annual re-election. He no longer waives his right to Directors' fees. The details of his fees may be found in the Directors' Remuneration Report on page 31.

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

Having served on the Board for more than nine years and because he has not retired by rotation at the last two Annual General Meetings, Nicholas Barber will retire by rotation and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

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

The interests of the Directors in the ordinary and subscription shares of the Company as at 31 December 2009 and 31 December 2008 were as in the tables below. Other than the bonus issue of subscription shares on 11 November 2009, there were no changes to the ordinary or subscription share holdings during the year and there have been no changes in these ordinary or subscription share holdings since the year end.

	31 December 2009 ordinary shares	31 December 2008 ordinary shares
Nicholas Barber	10,000	10,000
Simon Fraser	30,000	30,000
Philip Kay	10,144	10,144
David Miller	20,000	20,000
William Thomson	15,000	15,000

	31 December 2009 subscription shares	31 December 2008 subscription shares
Nicholas Barber	2,000	–
Simon Fraser	6,000	–
Philip Kay	2,028	–
David Miller	4,000	–
William Thomson	3,000	–

Information on the appointment, re-election and replacement of Directors and amendments to the Company's Articles of Association is included in the Corporate Governance Statement on pages 25 and 26.

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

DIRECTORS AND OFFICERS' LIABILITY INSURANCE

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

SUBSTANTIAL SHARE INTERESTS

As at the date of this report, 16.28% of the issued ordinary share capital was held by investors in the Fidelity Individual Savings Account and the Fidelity Investment Trust Share Plan.

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

Substantial share interests	%
FIL Limited [1]	26.96
1607 Capital Partners [2]	12.01
Asset Value Investors Limited [3]	6.48
Barclays PLC [4]	5.92
Tattersall Advisory Group Inc [5]	4.19
Wesleyan Assurance Society [6]	3.48
British Empire Securities [7]	3.28

1 Direct holding on own account (7.17%) and indirect holdings for clients (19.79%)
2 Direct and indirect holdings for clients and on own account
3 Direct holdings for clients
4 Direct holdings for various Barclays entities and clients. Simon Fraser has no influence over the number of shares held by Barclays PLC or the exercise of the rights attached to such shares.
5 Direct holding for clients
6 Direct holding on own account
7 Direct holding on own account

	Analysis of ordinary shareholders as at 31 December 2009 % of issued share capital
Retail Investors [1]	45.35
Mutual Funds	29.50
Investment Trusts	7.52
Insurance	5.97
Hedge Funds	5.59
Pensions	4.72
Charities	0.81
Trading	0.54
	100.00

1 Includes Share Plan and ISA investors

	Analysis of subscription shareholders as at 31 December 2009 % of issued share capital
Retail Investors [1]	58.18
Mutual Funds	27.19
Pensions	4.69
Insurance	4.14
Investment Trusts	3.81
Hedge Funds	1.58
Trading	0.41
	100.00

1 Includes Share Plan and ISA investors

Directors' Report

ANNUAL GENERAL MEETING

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

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

Resolution 8 provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,195,450. If passed, this resolution will enable the Directors to allot a maximum of 4,781,800 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company as at 15 March 2010. 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.

In addition to this general authority, Resolution 8 provides the Directors with authority to allot ordinary shares in the Company pursuant to the exercise of the rights attaching to the subscription shares, up to a maximum aggregate nominal value of £4,764,056.25. Allotments made pursuant to this authority would be for cash at a subscription price for the subscription shares of 55p per share.

If new ordinary shares are allotted for cash, the Companies Act 2006 requires such new shares to be offered to existing holders of ordinary shares ("pre-emption rights"). In certain circumstances it is beneficial for the Directors to allot shares for cash otherwise than pro rata to existing shareholders and the Companies Act 2006 provides for shareholders to give such power to the Directors by waiving their pre-emption rights. Resolution 9 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, (b) issues of ordinary shares pursuant to the exercise of the rights attaching to the subscription shares, up to a maximum aggregate nominal value of £4,764,056.25; and (c) other issues up to an aggregate nominal value of £1,195,450 (5% of the issued ordinary share capital of the Company as at 15 March 2010). The Directors would not issue ordinary shares pursuant to this power at less than the then current net asset value per share ("NAV"), other than in respect of the rights attaching to the subscription shares. The authority to issue ordinary shares for cash under Resolutions 8 and 9 will enable the Directors to issue additional new ordinary shares to participants in the Fidelity Investment Trust Share Plan and ISA in the event that the ordinary shares are trading at a premium to their NAV.

Resolution 10 is a special resolution which renews the Directors' authority to repurchase the Company's ordinary shares for cancellation. It is proposed that the Board be authorised to make arrangements to purchase through the London Stock Exchange up to 14,335,900 ordinary shares of 25 pence (equivalent to 14.99% of the ordinary shares in issue at 15 March 2010).

Resolution 10 also renews the Directors' authority to repurchase the Company's subscription shares for cancellation. It is proposed that the Board be authorised to make arrangements to purchase through the London Stock Exchange up to 2,856,500 subscription shares of 5 pence (equivalent to 14.99% of the subscription shares in issue at 15 March 2010).

By utilising the power to repurchase ordinary shares when they are trading at a discount to NAV, the Company will increase the resulting NAV per share for remaining shareholders. Subscription shares will only be repurchased when such repurchase would result in an increased NAV for the remaining shareholders taken on a diluted basis.

Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share.

Resolution 11 is an ordinary resolution to authorise the continuation of the Company as an investment trust. The Board undertakes to give shareholders the opportunity to vote on the continuation of the Company every three years. Accordingly a resolution for the continuation of the Company as an investment trust will be put to shareholders at the forthcoming Annual General Meeting.

Resolution 12 is a special resolution amending the Company's new Articles of Association (as adopted at the General Meeting held on 10 November 2009). No substantial amendments are being made but the changes are to correct a number of minor errors which have come to light.

The full text of the resolutions is set out in the Notice of Meeting contained on pages 55 and 57.

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

CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement on pages 25 to 30. The Corporate Governance Statement forms part of this Directors' Report.

AUDITOR'S RIGHT TO INFORMATION

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

AUDITOR'S APPOINTMENT

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

By Order of the Board
FIL Investments International
Secretary
15 March 2010

Statement of Directors' Responsibilities

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

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

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that adequate accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website www.fidelity.co.uk/its. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their own jurisdictions.

We confirm that to the best of our knowledge the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and the Directors' Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties it faces.

Approved by the Board on 15 March 2010 and signed on its behalf.

William Thomson
Chairman
15 March 2010

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.

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

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

The Combined Code includes provisions relating to:
- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

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

THE BOARD AND ITS COMMITTEES

THE BOARD

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

Matters reserved for the Board include, inter alia, decisions on strategy, management, structure, capital, share issues, share repurchases, gearing, financial reporting, risk management, investment performance, share price discount, corporate governance, the appointment of the Company Secretary and Board appointments.

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

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

SENIOR INDEPENDENT DIRECTOR

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

BOARD BALANCE

The Board consists of Directors who, between them, have good knowledge and wide experience of business in Japan and of investment trusts. Biographical details of all Directors including their relevant directorships are given on pages 14 and 15 of this report. The Board ensures that it conducts its business at all times with only the interests of the shareholders in mind and quite independently of any other associations. It meets at least four times a year, including an annual meeting in Tokyo, and endeavours to provide leadership in terms of the direction of the Company. Between these meetings there is regular contact with the Manager.

CHANGES TO THE BOARD

All appointments to the Board and replacements of Directors take place in accordance with the Companies Act and the Company's Articles of Association. The

	Regular Board Meetings	Nomination & Remuneration Committee Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
William Thomson	6/6	1/1	3/3	1/1
Nicholas Barber	5/6	1/1	3/3	1/1
Simon Fraser	6/6	1/1	3/3	N/A
Philip Kay	5/6	1/1	3/3	1/1
David Miller	6/6	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

Corporate Governance Statement

Company complies with the requirements of the AIC Code in respect of appointments to the Board. The Nomination and Remuneration Committee is responsible for identifying possible candidates for consideration by the Board. Whilst the independent Directors take the lead in the appointment of new Directors, any proposal for a new Director will be discussed and approved by the entire Board. External consultants are also used to identify potential candidates.

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.

CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

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

TRAINING

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

PERFORMANCE EVALUATION

A process for the evaluation of the Board, its Committees and its Directors is in place. 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.

ELECTION AND RE-ELECTION

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

The Director who is considered to be non-independent due to his recent employment relationship with the Manager is subject to annual re-election. A procedure has been put in place whereby formal letters of appointment, which specify the terms of appointment, are issued to new Directors on appointment and to existing Directors upon subsequent re-election at the Annual General Meeting.

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

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

Having served on the Board for more than nine years and because he has not retired by rotation at the last two Annual General Meetings, Nicholas Barber will retire and, following a proposal by his fellow Directors, will seek re-election at the forthcoming Annual General Meeting.

THE AUDIT COMMITTEE

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

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

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

In the year to 31 December 2009 the Audit Committee discharged its responsibilities by, inter alia:

- Reviewing the Company's draft annual and half-yearly financial statements prior to Board approval and reviewing the external Auditor's report on the annual financial statements
- Reviewing the appropriateness of the Company's accounting policies
- Reviewing and approving the audit fee
- Reviewing the external Auditor's terms of engagement including the appointment, reappointment or removal of the Auditor as appropriate
- Reviewing the external Auditor's plan for the audit of the Company's financial statements
- Reviewing the external Auditor's quality control procedures
- Reviewing and monitoring the effectiveness of the external audit process and the external Auditor's independence and objectivity and considering the risks associated with audit firms withdrawing from the market
- Reviewing the overall services provided by the Company's external Auditor and alternative audit services available
- Considering the scope of work undertaken by the Manager's internal audit department
- Reviewing the Manager's reports on internal controls and reporting to the Board
- Considering and reconfirming that the Company does not need an internal audit function given that the Company delegates its day to day operations to third parties.

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

The Committee also reviews corporate governance issues, the existence and performance of all controls operating in the Company (including the adherence to Section 842 status), and the relationship with and the performance of third party service providers (such as the Registrars and Custodians).

THE NOMINATION AND REMUNERATION COMMITTEE

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

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

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

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

THE MANAGEMENT ENGAGEMENT COMMITTEE

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

The level of remuneration of the Manager is determined by the Management Engagement Committee; it relates to the investment management function, on which a percentage of the funds under management together with the gross exposure to CFDs is paid (thereby relating this part of its remuneration to performance) and to the administrative function. The Board of Directors is mindful that the amounts paid to the Manager should be sufficient to ensure that both the Portfolio Manager and the administrators within the management house appointed to look after its affairs are highly skilled and that those individuals should be largely focussed on the Company's business.

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

- Quality of team – the skills and particularly the experience of the team involved in managing all aspects of the Company's business
- Commitment of the Manager to the investment trust business generally and to the Company in particular
- Managing the Company – in running and controlling the administration, the accounting and the Company

Secretarial function of the Company

- Investment management – portfolio management skills, experience and track record and other investment related considerations
- Shareholders – shareholder consciousness and relations, discount management and commitment to the Company's goals
- Management Agreement – consideration of fees, notice period and duties
- Marketing – commitment to and execution of activities designed to secure sustainable demand from prospective long term shareholders.

The Committee met and reviewed the performance of the Manager for the year to 31 December 2009. Having reviewed the criteria set out above, the Committee concluded that it was in the interests of shareholders that the Management and Secretarial Services Agreement should continue.

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

MANAGEMENT AGREEMENT

A Management and Secretarial Services Agreement (the "Management Agreement") dated 6 February 2006, was made between the Company and FIL Investments International (the "Manager"), under which the Manager has agreed to provide investment management, administrative and secretarial services to the Company for a quarterly fee of an amount equal to 0.25 per cent of the value of the Company's assets under management together with the gross exposure to CFDs (excluding investments in other funds managed by the Manager) payable quarterly in arrears and calculated on the last business day of March, June, September and December in each year. In addition the Company has agreed to pay to the Manager a fee for secretarial and administration services, payable quarterly in arrears, at the current rate of £37,509 per annum.

The notice period by either party is six months. The Management Agreement may, however, be terminated without compensation if the Company is liquidated pursuant to the procedures laid down in the Articles of Association of the Company regarding the Company's continuation. The Management Agreement may also be terminated forthwith as a result of a material breach of the Management Agreement or on the insolvency of the Manager or the Company.

In addition, the Company may terminate the Management Agreement by two months' notice in writing if the Manager ceases to be a subsidiary of FIL Limited.

SUPPLY OF INFORMATION

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

DIRECTORS' REMUNERATION

The level of Directors' fees is determined by the Nomination and Remuneration Committee. Directors' fees are disclosed fully in each annual report (see the Directors' Remuneration Report on pages 31 and 32).

FINANCIAL REPORTING

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

GOING CONCERN

The Company's business activities and the factors likely to affect its future performance and position are set out in the Business Review on pages 16 to 19. Further details on the management of financial risks may be found in Note 17 to the financial statements on pages 45 to 50.

The Board receives regular reports from the Manager and the Directors believe that, as no material uncertainties leading to significant doubt about going concern have been identified, it is appropriate to continue to adopt the going concern basis in preparing the financial statements. The assets of the Company consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

A continuation vote will be put to shareholders at this year's Annual General Meeting. The Directors recommend that shareholders vote in favour of the continuation vote as detailed on pages 5 and 22. This recommendation is made following their careful consideration of the results of communication with major shareholders during the year.

INTERNAL CONTROLS

The Board is responsible for the Company's systems of internal controls and reviewing their effectiveness. The identification, control and evaluation of risk is formulated by a series of quarterly investment performance reports, a regular internal controls report and quarterly compliance reports as provided by the Manager. The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material mis-statement or loss. The Board has contractually delegated to external agencies, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the day-to-day accounting and Company Secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered including the control systems in operation in so far as they relate to the affairs of the Company.

The Board, assisted by the Manager, has undertaken a regular risk and controls assessment. The business risks have been analysed and recorded in a risk and internal controls report which is regularly reviewed. Whilst the Company, in common with most investment trusts, has no internal audit function, the effectiveness of these controls is monitored by the Manager's compliance and internal audit departments. The Audit Committee has received and reviewed the report on the effectiveness of the internal controls maintained on behalf of the Company. The Board also receives each year from the Manager a report on its internal controls which includes a report from the Manager's reporting accountants on the control procedures in operation around the investment management and administration processes. By means of the procedures set out above and in accordance with the Financial Reporting Council's "Internal Control: Revised Guidance for Directors on the Combined Code", the Directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and have reviewed the effectiveness of the internal control systems throughout the year ended 31 December 2009. This process continued to be in place up to the date of the preparation of these financial statements and is expected to remain in place for the coming year.

WHISTLE-BLOWING PROCEDURE

Part of the Manager's role in ensuring the provision of a good service pursuant to the Management Agreement includes the ability for employees of Fidelity to raise concerns through a workplace concerns escalation policy (or "whistle-blowing procedure"). Fidelity is committed to providing the highest level of service to its customers and to applying the highest standards of quality, honesty, integrity and probity. The aim of the policy is to encourage employees and others working for Fidelity to assist the Company in tackling fraud, corruption and other malpractice within the organisation and in setting standards of ethical conduct. This policy has been endorsed accordingly.

VOTING POLICY

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

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

SHAREHOLDERS

The Board regularly monitors the shareholder profile of the Company and liaises with the Manager and the Company's broker to canvass shareholder opinion and communicate its views to shareholders. The Board aims to provide the maximum opportunity for dialogue between the Company and shareholders. It believes that the Company's institutional shareholders have proper access to the Manager at any time and to the Board if they so wish. If any shareholder wishes to contact a member of the Board directly they should contact the Company Secretary whose details are given on pages 14 and 59. All shareholders, particularly individual shareholders, are encouraged to attend the Annual General Meeting at which there is always a presentation of the past year's results and the forthcoming year's prospects, followed by the opportunity to meet representatives of the Manager and the Board.

Corporate Governance Statement

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

The Notice of Meeting on pages 55 to 57 sets out the business of the Annual General Meeting. A separate resolution is proposed on each substantially separate issue including the annual report and financial statements.

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

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

DISCLOSURE AND TRANSPARENCY RULES

Other information required to be disclosed pursuant to the Disclosure and Transparency Rules has been placed in the Directors' Report on pages 19 to 21 because it is information which refers to events that have taken place during the course of the year.

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

On behalf of the Board

William Thomson
15 March 2010

Directors' Remuneration Report

This report has been prepared in accordance with Sections 420 – 422 of the Companies Act 2006 in respect of the year ended 31 December 2009. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting. The law requires the Company's Auditor to audit certain parts of the disclosures provided. Where disclosures have been audited they are indicated as such. The Auditor's opinion is included in its report on page 33.

REMUNERATION COMMITTEE

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

The Company's Articles of Association limit the aggregate fees payable to each Director to £50,000 per annum. Subject to this, the Nomination and Remuneration Committee makes recommendations to the Board regarding the level of Directors' fees, having regard to their duties and responsibilities, to their time commitments, to their potential liabilities (both financial and reputational) and finally to levels of fees in the investment trust industry generally. It is intended that this policy will continue for the year ended 31 December 2010 and subsequent years.

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

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

REMUNERATION OF DIRECTORS[1]

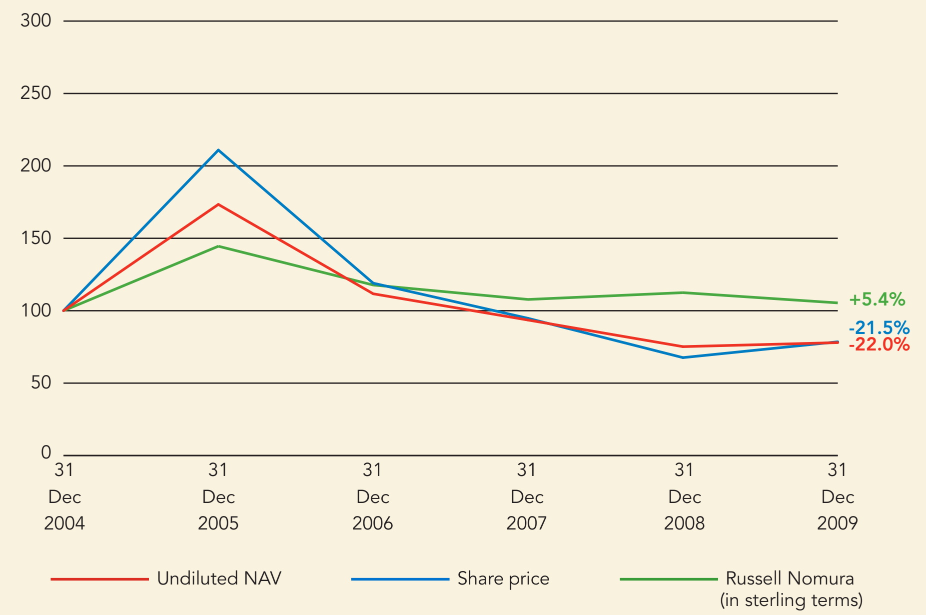
Name	2009 £'000	2008 £'000
William Thomson	28	28
Nicholas Barber	18	18
Simon Fraser[2]	17	–
Philip Kay	18	18
David Miller	18	18
Total	**99**	**82**

1 Audited information
2 Simon Fraser waived his fees of £15,000 in 2008

No Director received any bonus, taxable expenses, compensation for loss of office or non-cash benefits for the year ended 31 December 2009 or 31 December 2008.

Directors' Remuneration Report

Performance from 31 December 2004 to 31 December 2009 (on a total return basis)



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

On behalf of the Board

William Thomson
Chairman
15 March 2010

Financial Calendar

The key dates in the Company's calendar for the year from 31 December 2009:

31 December 2009 – financial year end

Mid March 2010 – announcement of results

Late March/Early April 2010 – publication of this report

Mid May 2010 – Interim Management Statement (as at 31 March 2010)

13 May 2010 – Annual General Meeting

30 June 2010 – Half-Year end

July/August 2010 – announcement of Half-Yearly results to 30 June 2010

August 2010 – publication of Half-Yearly report

Mid November 2010 – Interim Management Statement (as at 30 September 2010)

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 2009 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 Statement of Directors' Responsibilities on page 24, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 2009 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made;
- 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, on page 28 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 June 2008 Combined Code specified for our review.

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
15 March 2010

Income Statement for the year ended 31 December 2009

	Notes	2009 revenue £'000	2009 capital £'000	2009 total £'000	2008 revenue £'000	2008 capital £'000	2008 total £'000
Losses on investments designated at fair value through profit or loss	8	–	(668)	(668)	–	(5,946)	(5,946)
Net gains on derivative instruments held at fair value through profit or loss	9	–	1,694	1,694	–	–	–
Income	2	926	–	926	1,288	–	1,288
Investment management fee	3	(682)	–	(682)	(719)	–	(719)
Other expenses	4	(639)	–	(639)	(338)	–	(338)
Exchange gains/(losses) on other net assets	13	2	(1,419)	(1,417)	15	2,871	2,886
Exchange gains/(losses) on loans	13	–	2,980	2,980	–	(9,612)	(9,612)
Net (loss)/return before finance costs and taxation		(393)	2,587	2,194	246	(12,687)	(12,441)
Interest payable on loans and CFDs	5	(239)	–	(239)	(269)	–	(269)
Net (loss)/return on ordinary activities before taxation		(632)	2,587	1,955	(23)	(12,687)	(12,710)
Taxation on (loss)/return on ordinary activities	6	(64)	–	(64)	(89)	–	(89)
Net (loss)/return on ordinary activities after taxation for the year		(696)	2,587	1,891	(112)	(12,687)	(12,799)
(Loss)/return per ordinary share	7	(0.73p)	2.71p	1.98p	(0.12p)	(13.23p)	(13.35p)

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

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

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2009

	Notes	share capital £'000	share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
Opening shareholders' funds: 1 January 2008		24,256	44	2,075	59,591	(8,933)	(12,341)	64,692
Net recognised capital losses for the year		–	–	–	–	(12,687)	–	(12,687)
Repurchase of ordinary shares		(362)	–	362	(680)	–	–	(680)
Net revenue loss after taxation for the year		–	–	–	–	–	(112)	(112)
Closing shareholders' funds: 31 December 2008		23,894	44	2,437	58,911	(21,620)	(12,453)	51,213
Net recognised capital gains for the year	13	–	–	–	–	2,587	–	2,587
Bonus issue of subscription shares	13	956	–	–	(956)	–	–	–
Net revenue loss after taxation for the year	13	–	–	–	–	–	(696)	(696)
Closing shareholders' funds: 31 December 2009		24,850	44	2,437	57,955	(19,033)	(13,149)	53,104

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

Balance Sheet as at 31 December 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Investments designated at fair value through profit or loss	8	49,743	65,324
Current assets			
Derivative assets held at fair value through profit or loss	9	1,692	–
Debtors	10	926	1,124
Cash at bank		2,403	2,301
Cash collateral with lender		–	7,045
		5,021	10,470
Creditors – amounts falling due within one year			
Derivative liabilities held at fair value through profit or loss	9	(101)	–
Fixed rate unsecured loans	11	–	(23,952)
Other creditors	11	(1,559)	(629)
		(1,660)	(24,581)
Net current assets/(liabilities)		3,361	(14,111)
Total net assets		53,104	51,213
Capital and reserves			
Share capital	12	24,850	23,894
Share premium account	13	44	44
Capital redemption reserve	13	2,437	2,437
Other reserve	13	57,955	58,911
Capital reserve	13	(19,033)	(21,620)
Revenue reserve	13	(13,149)	(12,453)
Total equity shareholders' funds		53,104	51,213
Net asset value per ordinary share			
Basic	14	55.56p	53.58p
Diluted	14	55.47p	n/a

The financial statements on pages 34 to 50 were approved by the Board of Directors on 15 March 2010 and were signed on its behalf by:

William Thomson
Chairman

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

Cash Flow Statement for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Operating activities			
Investment income received		906	1,175
Deposit interest received		–	4
Investment management fee paid		(696)	(690)
Directors' fees paid		(94)	(81)
Other cash payments		(489)	(263)
Net cash (outflow)/inflow from operating activities	15	(373)	145
Returns on investments and servicing of finance			
Interest paid on fixed rate unsecured loans		(273)	(252)
Net cash outflow from returns on investments and servicing of finance		(273)	(252)
Financial investment			
Purchase of investments		(90,680)	(97,886)
Disposal of investments		106,195	106,226
Net cash inflow from financial investment		15,515	8,340
Derivative activities			
Proceeds of derivative instruments		103	–
Net cash inflow from derivative activities		103	–
Net cash inflow before financing		14,972	8,233
Financing			
Repurchase of ordinary shares		–	(680)
1.565% fixed rate unsecured loan repaid		(9,475)	–
1.34% fixed rate unsecured loan repaid		(11,497)	–
Cash collateral held with lender		7,045	(7,045)
Net cash outflow before financing		(13,927)	(7,725)
Increase in cash	16	1,045	508

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

Notes to the Financial Statements

1. ACCOUNTING POLICIES

The Company has prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and the AIC Statement of Recommended Practice ("SORP") for Investment Trusts issued in January 2009.

As a result of technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 01/08: "Distributable Profits", changes in fair value of investments which are readily convertible to cash, without accepting adverse terms at the balance sheet date, can be treated as realised. As a result of the new SORP, capital reserves realised and unrealised are now 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.

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 be granted.

A resolution proposing the continuation of the Company as an investment trust will be put to shareholders at the Annual General Meeting on 13 May 2010. The Directors are recommending that shareholders vote in favour of this resolution. In light of their recommendation and in accordance with Financial Reporting Standard ("FRS") 18 "Accounting Policies", the Directors believe that it is appropriate to prepare the financial statements on a going concern basis. Accordingly the financial statements do not include any adjustments that may arise from a reconstruction or liquidation of the Company. Such adjustments would include expenses of reconstruction or liquidation along with any costs associated with realising the portfolio.

b) Income

Income from equity investments is credited to the Income Statement on the date on which the right to receive the payment is established. Unfranked investment income includes tax deducted at source. Interest receivable on short term loans and deposits is dealt with on an accruals basis. Where the Company has elected to receive its dividends in the form of additional shares rather than cash foregone, the amount of the cash dividend foregone is recognised as revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital column of the Income Statement.

c) Special dividends

Special dividends are treated as a capital receipt or a revenue receipt depending on the facts and circumstances of each particular case.

d) Expenses and finance costs

All expenses are accounted for on an accruals basis and are charged in full to the revenue column of the Income Statement. Finance costs are accounted for using the effective interest method and in accordance with the provisions of FRS 26 "Financial Instruments: Recognition and Measurement".

e) Taxation

Deferred taxation is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred. A deferred tax asset is recognised when it is more likely than not that the asset will be recoverable.

f) Foreign currency

The Directors, having regard to the currency of the Company's share capital and the predominant currency in which its investors operate, have determined the functional currency to be sterling. Transactions denominated in foreign currencies are calculated in sterling at the rate of exchange ruling as at the date of transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All capital gains and losses, including exchange differences on the translation of foreign currency assets and liabilities, are dealt with in capital reserve.

g) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's Board of Directors and other key management personnel. Accordingly, upon initial recognition the investments are designated by the Company as "at fair value through profit or loss". They are included initially at fair value, which is taken to be their cost and subsequently, the investments are valued at "fair value", which is measured as follows:

- Investments listed overseas are valued at bid prices, where the bid price is available, or otherwise at fair value based on published price quotations;
- Unlisted investments where there is not an active market are valued using an appropriate valuation technique so as to establish what the transaction price would have been at the balance sheet date.

Transaction costs – In accordance with the AIC SORP the Company includes these costs in the cost of investments purchased and has disclosed them in Note 8 on page 42.

h) Derivative instruments

The Company maintains a geared exposure to Japanese equities through the use of long Contracts For Difference ("CFDs"). The gearing level is monitored and reviewed by the Board on an ongoing basis.

CFDs are measured at fair value which is the difference between the settlement price and the value of the underlying shares in the contract.

All gains and losses in the fair value of the CFDs are disclosed in the 'Gains on derivative instruments held at fair value through profit or loss' via the capital column of the Income Statement. The dividends received and the interest paid on these contracts are included in 'Net derivative instrument expenses' via the revenue column of the Income Statement.

i) Loans

Following the repayment of the loans, the Company has no financial gearing. For the prior year, loans were initially included in the financial statements at cost, being the fair value of the consideration received, net of any issue costs relating to the borrowing. After initial recognition, the loans were measured at amortised cost using the effective interest method. The amortised cost was calculated by taking into account any issue costs and any discount or premium on settlement.

j) Capital reserve

The following are accounted for in capital reserve
- gains and losses on the disposal of investments, including derivative assets and liabilities.
- changes in fair value of the investments, including derivative assets and liabilities, held at the year end
- foreign exchange gains and losses of a capital nature
- dividends receivable which are capital in nature
- costs of repurchasing ordinary shares

2. INCOME

	2009 £'000	2008 £'000
Income from investments designated at fair value through profit or loss		
Overseas dividends	920	1,284
Income from derivative instruments held at fair value through profit or loss		
Dividends on long Contracts For Difference	6	–
Other income		
Deposit interest	–	4
Total income	926	1,288

Notes to the Financial Statements

3. INVESTMENT MANAGEMENT FEE

	2009 £'000	2008 £'000
Investment management fee	682	719

A summary of the terms of the Management Agreement is given in the Directors' Report on page 20.

4. OTHER EXPENSES

	2009 £'000	2008 £'000
AIC fees	6	5
Custody fees	9	11
Directors' expenses	45	28
Directors' fees*	99	82
Legal and professional fees	25	36
Marketing expenses	67	28
Other expenses	69	45
Printing and publication expenses	56	61
Registrars' fees	18	22
Costs associated with bonus issue of subscription shares	225	–
Fees payable to the Company's Auditor for the audit of the annual financial statements	20	20
	639	338

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

5. INTEREST PAYABLE

	2009 £'000	2008 £'000
Interest on fixed rate unsecured loans*	231	269
Interest on long Contracts For Difference	8	–
	239	269

*The fixed rate unsecured loans from The Royal Bank of Scotland PLC were repaid on 13 August 2009 and 25 November 2009 so no further interest is payable.

	2009 revenue £'000	2009 capital £'000	2009 total £'000	2008 revenue £'000	2008 capital £'000	2008 total £'000
6. TAXATION ON RETURN ON ORDINARY ACTIVITIES						
a) Analysis of charge in the year						
Overseas taxation suffered (see Note 6b)	64	–	64	89	–	89

b) Factors affecting the taxation charge for the year

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an investment trust company of 28% (2008: 28.5%).

The differences are explained below.

	2009 £'000	2008 £'000
Return/(loss) on ordinary activities before taxation	1,955	(12,710)
Return/(loss) on ordinary activities multiplied by the standard rate of corporation tax of 28% (2008: 28.5%)	547	(3,622)
Effects of:		
Gains/(losses) on investments not taxed	(724)	3,616
Excess expenses for the year	292	6
Income not included for tax purposes	(114)	–
Expenses not deductible for tax purposes	(1)	–
Overseas taxation	64	89
Current taxation charge (Note 6a)	64	89

Investment trust companies are exempt from taxation on capital gains if they meet the HM Revenue & Customs criteria set out in s842 Income and Corporation Taxes Act 1988 for a given period.

c) The deferred tax assets of £3,597,000 in respect of unutilised expenses at 31 December 2009 (2008: £3,305,000) and nil (2008: £501,000) in respect of eligible unrelieved foreign taxation have not been recognised as it is unlikely that there will be sufficient future taxable profits to utilise these expenses.

	2009 revenue	2009 capital	2009 total	2008 revenue	2008 capital	2008 total
7. (LOSS)/RETURN PER ORDINARY SHARE						
Basic	(0.73p)	2.71p	1.98p	(0.12p)	(13.23p)	(13.35p)

Basic (losses)/returns per ordinary share are based on the net revenue loss on ordinary activities after taxation in the year of £696,000 (2008: £112,000), the capital return in the year of £2,587,000 (2008: capital loss £12,687,000) and the total return in the year of £1,891,000 (2008: total loss £12,799,000) and on 95,577,453 ordinary shares (2008: 95,878,956) being the weighted average number of ordinary shares in issue during the year.

Notes to the Financial Statements

	2009 £'000	2008 £'000
8. INVESTMENTS		
Listed overseas	49,743	65,324
Total listed investments	49,743	65,324

	2009 listed overseas £'000
Opening book cost	56,134
Opening investment holding gains	9,190
Opening fair value of investments	65,324
Movements in the year	
Purchases at cost	91,378
Sales - proceeds	(106,291)
Sales - realised gains on sales	6,486
Movement in investment holding losses in the year	(7,154)
Closing fair value of investments	49,743
Closing book cost	47,707
Closing investment holding gains	2,036
Closing fair value of investments	49,743

	2009 £'000	2008 £'000
Net losses on investments		
Gains/(losses) on sales of investments	6,486	(17,662)
Investment holding (losses)/gains	(7,154)	11,716
	(668)	(5,946)

The portfolio turnover rate for the year was 134.4% (2008: 156.0%).

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

	2009 £'000	2008 £'000
Purchases expenses	118	128
Sales expenses	114	140
	232	268

	2009 £'000	2008 £'000

9. DERIVATIVE INSTRUMENTS

	2009 £'000	2008 £'000
Net gains on derivative instruments in the year		
Realised gains on derivative instruments	103	–
Closing derivative instruments holding gains	1,591	–
	1,694	–

At the year end the Company had exposure to the following derivative instruments:

	2009		2008	
	fair value £'000	exposure £'000	fair value £'000	exposure £'000
Contracts For Difference - assets	1,692	15,016	–	–
Contracts For Difference - liabilities	(101)	3,246	–	–
	1,591	18,262	–	–

10. DEBTORS

	2009 £'000	2008 £'000
Securities sold for future settlement	883	1,043
Accrued income	27	68
Other debtors	16	13
	926	1,124

11. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £'000	2008 £'000
Fixed rate unsecured loan @ 1.565% per annum	–	11,294
Fixed rate unsecured loan @ 1.34% per annum	–	12,658
Securities purchased for future settlement	1,159	241
Interest payable on Contracts For Difference	8	–
Interest payable on loans	–	42
Other creditors	392	346
	1,559	24,581

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

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

Notes to the Financial Statements

12. SHARE CAPITAL	2009 £'000	2008 £'000
Issued, allotted and fully paid:		
Ordinary shares		
Beginning of year		
95,577,453 (2007: 97,027,453) ordinary shares of 25 pence each	23,894	24,256
1 January to 31 December 2009: nil shares repurchased (2008: 1,450,000)	–	(362)
End of year		
95,577,453 (2008: 95,577,453) ordinary shares of 25 pence each	23,894	23,894
Subscription shares*		
Issue of 19,115,381 (2008: nil) subscription shares of 5p each	956	–
Total called up share capital	24,850	23,894

*The subscription shares were issued as a bonus issue to ordinary shareholders on 11 November 2009 on the basis of one subscription share for every five ordinary shares held. Each subscription share gives the holder the right, but not the obligation, to subscribe for one ordinary share upon payment of the subscription price of 55 pence per subscription share on the last business day of each month commencing in February 2010 and finishing on the last business day in February 2013, after which the subscription share rights will lapse.

13. RESERVES	2009				
	share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000
Beginning of year	44	2,437	58,911	(21,620)	(12,453)
Exchange losses on other net assets	–	–	–	(1,419)	–
Net losses on investments for the year	–	–	–	(668)	–
Net gains on derivative instruments for the year	–	–	–	1,694	–
Exchange gains on loans	–	–	–	2,980	–
Bonus issue of subscription shares	–	–	(956)	–	–
Net loss after taxation for the year	–	–	–	–	(696)
End of year	44	2,437	57,955	(19,033)	(13,149)

14. NET ASSET VALUE PER SHARE

The basic net asset value per ordinary share is based on net assets of £53,104,000 (2008: £51,213,000) and on 95,577,453 (2008: 95,577,453) ordinary shares, being the number of ordinary shares in issue at the year end.

The diluted net asset value per ordinary share has been calculated on the assumption that the outstanding subscription shares of 19,1158,381 at 31 December 2009 (2008: nil) were exercised on that date. This basis of calculation is in accordance with guidelines laid down by the Association of Investment Companies and is provided to the London Stock Exchange on an ongoing basis.

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

	2009 £'000	2008 £'000
Net return/(loss) before finance costs and taxation	2,186	(12,441)
Capital return/(loss) for the year	(2,587)	12,687
Net revenue (loss)/return before finance costs and taxation	(401)	246
Increase/(decrease) in other creditors	54	(39)
Decrease in other debtors	38	27
Overseas taxation suffered	(64)	(89)
Net cash (outflow)/inflow from operating activities	(373)	145

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

	2009 £'000	2008 £'000
Net debt at beginning of year	(21,651)	(13,403)
Net cash inflow	1,045	508
1.565% fixed rate unsecured loan repaid	9,475	–
1.34% fixed rate unsecured loan repaid	11,497	–
Unrealised foreign exchange movement on other net assets	(943)	856
Foreign exchange movement on fixed rate unsecured loans - realised and unrealised	2,980	(9,612)
Change in net resources/(debt)	24,054	(8,248)
Net resources/(debt) at end of year	2,403	(21,651)

	2009 £'000	change in the year £'000	exchange movements £'000	2008 £'000
Analysis of balances				
Cash at bank	2,403	1,045	(943)	2,301
Fixed rate unsecured loans	–	20,972	2,980	(23,952)
End of year	2,403	22,017	2,037	(21,651)

17. FINANCIAL INSTRUMENTS

MANAGEMENT OF RISK

The general risk analysis undertaken by the Board and its overall policy approach to risk management are set out in the Business Review on pages 18 and 19. This Note is incorporated in accordance with FRS29 and refers to the identification, measurement and management of risks potentially affecting the value of financial instruments.

The Company's financial instruments comprise:
- Equity shares held in accordance with the Company's investment objective and policies
- Cash, liquid resources and short term debtors and creditors that arise from its operations
- Derivative instruments which comprise Contracts For Difference

Notes to the Financial Statements

The risks identified by FRS29 arising from the Company's financial instruments are market price risk (which comprises other price risk, interest rate risk and foreign currency exposure), liquidity risk, counterparty risk and credit risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies have remained unchanged since the beginning of the accounting period.

Market price risk

Other price risk

Other price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements and changes in exchange rates. The Board meets quarterly to consider the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective. The 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.

Interest rate risk

The Company finances its operations through share capital raised. In addition, financing had been obtained during the year through two yen denominated fixed rate unsecured bank loans, which were repaid on 13 August and 25 November 2009. The Company now has a geared exposure to Japanese equities through the use of Contracts For Difference and incurs funding costs. It is therefore exposed to a cash flow interest rate risk if yen interest rates change.

Interest rate risk profile of financial assets and liabilities

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

		2009	
	cash flow interest rate risk £'000	fair value interest rate risk £'000	total £'000
Cash balances	2,403	–	2,403
Total financial assets	2,403	–	2,403
Derivative liabilities exposure	(16,671)	–	(16,671)
Total financial liabilities	(16,671)	–	(16,671)
Total net financial liabilities	(14,268)	–	(14,268)

		2008	
	cash flow interest rate risk £'000	fair value interest rate risk £'000	total £'000
Cash balances*	9,346	–	9,346
Total financial assets	9,346	–	9,346
Fixed rate unsecured loans	–	(23,952)	(23,952)
Total financial liabilities	–	(23,952)	(23,952)
Total financial assets/(liabilities)	9,346	(23,952)	(14,606)

* Included in the cash balance are cash at bank and cash held as collateral with lender.

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

Three principal areas have been identified where foreign currency risk could impact the Company:
- Movements in rates affecting the value of investments
- Movements in rates affecting short term timing differences
- Movements in rates affecting the income received

The Company does not hedge the sterling value of investments or other net assets priced in yen by the use of derivative instruments. Long Contracts For Difference are used for gearing rather than hedging purposes.

The Company might also be subject to short term exposure from exchange rate movements, for example between the date when an investment is bought or sold and the date when settlement of the transaction occurs. Income denominated in yen is converted to sterling on receipt.

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

			2009		
	investments designated at fair value through profit or loss £'000	derivative assets held at fair value through profit or loss £'000	short term debtors book value £'000	cash £'000	total £'000
Yen	49,743	1,692	910	2,353	54,698
UK sterling	–	–	16	48	64
US dollar	–	–	–	2	2
	49,743	1,692	926	2,403	54,764

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

* Included in the cash balance are cash at bank and cash held as collateral with lender.

Notes to the Financial Statements

Financial liabilities
The Company finances its investment activities through its ordinary share capital and reserves.
The Company's financial liabilities comprise its short term creditors.
The currency cash flow profile of these financial liabilities is shown below.

	2009			
	derivative liabilities held at fair value through profit or loss £'000	yen denominated unsecured loans £'000	short term creditors £'000	total £'000
Yen	101	–	1,159	1,260
UK sterling	–	–	400	400
	101	–	1,559	1,660

	2008			
	derivative liabilities held at fair value through profit or loss £'000	yen denominated unsecured loans £'000	short term creditors £'000	total £'000
Yen	–	23,952	282	24,234
UK sterling	–	–	347	347
	–	23,952	629	24,581

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

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

Derivative instruments
The risks and risk management processes which result from the use of derivative instruments are set out in the Prospectus dated 15 October 2009, details of which can be seen in the other risk categories disclosed above.

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

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

RISK SENSITIVITY ANALYSIS

Other price risk sensitivity analysis

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

An increase of 10% in the fair value of the investments, including derivative instruments, at 31 December 2009 would have increased total return on ordinary activities and total assets by £5,133,000 (2008: £6,532,000). A decrease of 10% in the fair value of investments, including derivative instruments, would have had an equal but opposite effect. The analysis for 2008 is performed on the same basis.

Interest rate risk sensitivity analysis

At 31 December 2009, if interest rates had increased by 0.5% the total return on ordinary activities would have decreased by £71,000 (2008: £47,000). A decrease in the interest rates by 0.5% would have had an equal but opposite effect. The sensitivity is based on the Company's total cash balance held and the derivatives liability exposure on 31 December 2009. The analysis for 2008 is performed on the same basis.

Foreign currency risk sensitivity analysis

At 31 December 2009, if sterling had strengthened by 10% in relation to the yen, this being the Company's largest currency exposure, then with all other variables held constant, total net assets and total return on ordinary activities would have decreased by £5,344,000 (2008: £5,149,000). A 10% weakening of sterling against the yen, with all other variables held constant, would have had an equal but opposite effect on the financial statement amounts. The analysis for 2008 is performed on the same basis.

Derivative instruments exposure sensitivity analysis

Equity derivatives

The Company invests in Contracts For Difference to gain exposure to the equity markets. A 10% fall in the price of the net Contracts For Difference at 31 December 2009 would have resulted in a decrease of £1,826,000 (2008: nil) in the Company's net asset value. A rise of 10% would have had an equal but opposite effect.

Fair value of financial assets and liabilities

Financial assets and liabilities are stated in the balance sheet at values which are not materially different to their fair values. As explained in Note 1 on page 38 investments are shown at fair value which is bid market price. In the case of cash, book value approximates to fair value due to the short maturity of the instruments. The exceptions were the yen denominated fixed rate unsecured loans, which were repaid in August and November 2009.

	2009		2008	
	fair value £'000	book value £'000	fair value £'000	book value £'000
Fixed rate unsecured loan @ 1.565% per annum	–	–	11,352	11,294
Fixed rate unsecured loan @ 1.34% per annum	–	–	12,723	12,658
	–	–	24,075	23,952

Fair value hierarchy

In 2009 the Accounting Standards Board amended FRS29 and requires financial companies to disclose the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values.

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

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. The valuation techniques used by the Company are explained in the Accounting Policies Note 1(g) on pages 38 and 39. The table on page 50 sets out the Company's fair value hierarchy measurements as at 31 December 2009:

Notes to the Financial Statements

Financial assets at fair value through profit or loss as at 31 December 2009

	Total £'000	Level 1 £'000	Level 2 £'000
Equity investments	49,743	49,743	–
Derivatives	1,692	–	1,692
Total	51,435	49,743	1,692

Financial liabilities at fair value through profit or loss as at 31 December 2009

	Total £'000	Level 1 £'000	Level 2 £'000
Derivatives	101	–	101
Total	101	–	101

Capital management

The Company does not have any externally imposed capital requirements. The capital of the Company is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on pages 16 and 17 of the Directors' Report. Please refer to the balance sheet for quantitative information.

18. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 31 December 2009 (2008: nil).

19. TRANSACTIONS WITH THE MANAGER

The Directors have complied with the provisions of FRS8 which require disclosure of related party transactions and balances. FIL Investments International is the Manager and Secretary of the Company and details of the services provided and fees paid are given on page 20.

Full Portfolio Listing as at 31 December 2009

Holding	Fair Value £'000	%[1]
Nifco	1,409	2.7
Cyber Agent	1,345	2.5
EPS	1,131	2.1
Asahi Glass	1,050	2.0
LEC	1,028	1.9
Nippon Mining Holdings	957	1.8
Toyota Boshoku	932	1.8
Aioi Insurance	865	1.6
Gree	852	1.6
DeNA	786	1.5
Osaka Gas	764	1.4
Chiyoda	756	1.4
Sekisui House	714	1.3
Hitachi Transport System	709	1.3
TS Tech	709	1.3
Sanden	702	1.3
Promise	696	1.3
Chuo Mitsui Trust	692	1.3
Horiba	692	1.3
Denki Kagaku Kogyo Kabushiki Kaisha	676	1.3
Nomura Holdings	668	1.3
Daikokutenbussan	667	1.2
Hogy Medical	665	1.2
Kappa Create	659	1.2
Bank Of Yokohama	656	1.2
Chiba Bank	652	1.2
Sumitomo Mitsui Financial Group	650	1.2
Mixi	647	1.2
Nichi-iko Pharmaceutical	645	1.2
Towa	642	1.2
Daiwa House Industry	634	1.2
Toppan Printing	629	1.2
Shizuoka Bank	626	1.2
Zappallas	621	1.2
Dainippon Screen Manufacturing	611	1.2
Sumitomo Rubber Industries	610	1.2
Bit-Isle	595	1.1
Sawai Pharmaceutical	561	1.1
Hamamatsu Photonics	559	1.1
Ulvac	540	1.0
Daicel Chemical	532	1.0

Full Portfolio Listing as at 31 December 2009

Holding	Fair Value £'000	%[1]
Hitachi Chemical	506	0.9
Nidec	505	0.9
Mitsubishi UFJ Lease & Finance	485	0.9
Sumitomo	484	0.9
Air Water	480	0.9
Kyushu Electric Power	480	0.9
Toridoll	475	0.9
Kayaba Industry	471	0.9
Asahi	466	0.9
Kuraray	462	0.9
Nippon Parkerizing	455	0.9
Itoham Foods	453	0.8
Daiseki	438	0.8
Koito Manufacturing	423	0.8
Nichicon	418	0.8
NTT Urban Development	404	0.8
Shin-Kobe Electric Machinery	403	0.8
Itochu	399	0.8
Yamato Kogyo	399	0.8
Alfresa Holdings	385	0.7
Toyo Electric	380	0.7
Inpex	373	0.7
Tachi-S	368	0.7
Nippon Synthetic Chemical Industry	367	0.7
Hisaka Works	361	0.7
Toppan Forms	360	0.7
Furukawa Electric	359	0.7
Maruwa Ceramic	359	0.7
Nissin Electric	357	0.7
Daihen	353	0.7
Stanley Electric	352	0.7
Exedy	350	0.7
NHK Spring	349	0.7
Lintec	343	0.7
Keihin Seiki Manufacturing	323	0.6
Rohto Pharmaceutical	320	0.6
Japan Vilene	318	0.6
Kureha	311	0.6
Meiko Electronics	308	0.6
Akebono Brake Industry	298	0.6
Tokai Carbon	294	0.5

Full Portfolio Listing as at 31 December 2009

Holding	Fair Value £'000	%[1]
Sanyo Denki	289	0.5
Sato	286	0.5
Foi	285	0.5
Mitsumi Electric	283	0.5
Sanyo Electric	267	0.5
Sony Financial Holdings	262	0.5
Ohsho Food Service	234	0.4
Daishinku	205	0.4
Oiles	205	0.4
Yushin Precision Equipment	201	0.4
Village Vanguard	192	0.4
Takaoka Electric Manufacturing	179	0.3
Seiwa Electric	50	0.1
Joyfull	48	0.1
Hoden Seimitsu Kako Kenkyusho	29	–
Total Holdings	49,743	93.7
Derivative instruments	1,591	3.0
Cash and other net current assets	1,770	3.3
	53,104	100.0

1 % total assets less current liabilities

Derivative instruments	Fair Value £'000	Exposure £'000
Takata (CFD)	304	1,512
Kakaku.Com (CFD)	301	1,723
Sekisui Chemical (CFD)	196	1,597
Panasonic Electric Works (CFD)	167	1,374
TDK (CFD)	119	762
Tokyo Electron (CFD)	111	800
JSR (CFD)	110	833
Fast Retailing (CFD)	89	1,154
Rakuten (CFD)	85	713
Sumitomo Electric Industries (CFD)	68	708
M3 (CFD)	60	1,702
Kirin Holdings (CFD)	45	676
ROHM (CFD)	25	652
Tokai Rubber (CFD)	12	810
FP (CFD)	(1)	1,428
Saizeriya (CFD)	(24)	978
Toyo Suisan Kaisha (CFD)	(76)	840
	1,591	18,262

Full Portfolio Listing as at 31 December 2009

GEARING

	2009	2008
Investments designated at fair value through profit or loss	49,743	65,324
Derivative instruments exposure	18,262	–
Total investments exposure	68,005	65,324
Notional cost of derivative instruments	(16,671)	–
Cash and other net current assets	1,770	9,841
Fixed rate unsecured loans	–	(23,952)
Total net assets	53,104	51,213
Implied gearing	31.4%	46.8%

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 13 May 2010 at 12 noon for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2009.

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

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

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

5. To approve the Directors' Remuneration Report for the year ended 31 December 2009.

6. 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.

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

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions of which Resolutions 8 and 11 will be proposed as ordinary resolutions and Resolutions 9,10 and 12 as special resolutions:

Resolutions 8 and 9 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 15 March 2010. 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.

Resolutions 8 and 9, if approved, also authorise the allotment of ordinary shares pursuant to the exercise of the rights attaching to the subscription shares.

8. 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 £1,195,450 (approximately 5% of the aggregate nominal amount of the issued ordinary share capital of the Company as at 15 March 2010) 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;

   AND THAT for the purposes of Section 551 of the Companies Act 2006 the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot Ordinary Shares pursuant to the exercise of the rights attaching to the Subscription Shares to subscribe for such shares up to a maximum aggregate nominal amount of £4,764,056.25 provided that such authority shall expire at the conclusion of the Company's AGM to be held in 2013, save that the Company may prior to the expiry of such period make any offer or agreement which would or might require such Ordinary Shares to be allotted after such expiry and the Directors may allot such Ordinary Shares in pursuance of any such offer or agreement as if the authority conferred hereby had not expired;

9. THAT, subject to the passing of Resolution 8 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 8 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); and

   b) to the allotment of ordinary shares pursuant to the exercise of rights attaching to the subscription shares of 5 pence each in the capital of the Company, up to a maximum aggregate nominal value of £4,764,056.25; and

   c) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £1,195,450 (approximately 5 per cent of the aggregate nominal amount of the issued share capital of the Company as at 15 March 2010);

Notice of Meeting

provided that no allotment of equity securities pursuant to paragraphs (a) and (c) shall be made at a price 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 10 is a special resolution which, if approved, will renew the Company's authority to purchase its ordinary shares and subscription shares for cancellation. The limit set by the Board is 14.99 per cent respectively of the number of ordinary shares and subscription shares in issue on 15 March 2010. 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.

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

a) the maximum number of shares hereby authorised to be purchased shall be 14,335,900 ordinary shares and 2,856,500 subscription shares;

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

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

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

e) the authorities hereby conferred shall expire on 31 October 2011 unless renewed at the next Annual General Meeting of the Company; and

f) the Company may make a contract to purchase ordinary or subscription shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract.

Resolution 11 is an ordinary resolution, which relates to the continuation of the Company as an investment trust.

11. THAT the Company continue to carry on business as an investment trust.

Resolution 12 is a special resolution, which makes minor changes to the Articles of Association of the Company to correct a number of minor errors which have come to light.

12. THAT the following amendments be made to the Articles:

a) in Article 2, the definition, "London Stock exchange" be changed to "London Stock Exchange";

b) in Article 2, in the definition of "subscription shares", '1 pence' be deleted and replaced with '5 pence';

c) in Article 2, the definition of "record date" be deleted in its entirety; and

d) in Article 5(FF), 'one penny' be deleted and replaced with '5 pence'.

By Order of the Board

FIL Investments International
Secretary
31 March 2010

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 11 May 2010. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person if they so wish.

3. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is

signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrars, Capita Registrars, P O Box 25, Beckenham, Kent BR3 4BR not less than 48 hours before the time for holding the meeting or adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for the taking of the poll at which it is to be used.

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

5. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 12 noon on 11 May 2010. 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 11 May 2010.

6. All members are entitled to attend and vote at the Annual General Meeting and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at 12 noon on 11 May 2010.

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 Services Authority. As a result, any member holding 3 per cent or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Services Authority.

9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes they may cast), members must be entered on the Register of Members by 6.00pm on 11 May 2010. If the meeting is adjourned then, to be so entitled, members must be entered on the Register of Members at 6.00pm on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.

10. As at 15 March 2010 (the latest practicable date prior to the publication of this document) the Company's issued ordinary share capital consisted of 95,636,609 ordinary shares carrying one vote each and 19,056,225 subscription shares without voting rights. Therefore, the total number of voting rights in the Company as at 15 March 2010 was 95,636,609.

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 30 March 2010, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business of the meeting only) must be accompanied by a statement setting out the grounds for the request.

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

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

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

Investing in Fidelity Japanese Values PLC

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

INVESTING INSIDE AN ISA

You may invest in the Company's shares through the Fidelity ISA ("Individual Savings Account"). A Fidelity ISA can be an excellent way to get more from your investment, because you will not have to pay income or capital gains tax on your returns. The maximum investment in a stocks and shares ISA is £7,200 for the 2009/2010 tax year. From 6 October 2009, investors aged 50 and over on 5 April 2010 may invest up to £10,200 in ISA accounts overall. The full amount may be invested in a Stocks and Shares ISA, or £5,100 (£3,600 prior to 6 October 2009) in a Cash ISA and the balance in a Stocks and Shares ISA. From 6 April 2010, investors may invest up to £10,200 in ISA accounts overall regardless of age (minimum 18 years old) of which up to £5,100 can be held in a cash ISA and the balance in a Stocks and Shares ISA.

The minimum 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.

Charges – The standard initial charge for the Fidelity ISA is 3.5%. Fidelity pays stamp duty from the initial charge. There are no other charges for the Fidelity ISA, but the Company pays an annual management charge to Fidelity of 1%, as set out in the Annual Report. There is an additional annual charge of 0.5% + VAT when you invest through a Financial Adviser.

MOVING MONEY FROM PREVIOUS ISAS

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

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

INVESTING OUTSIDE AN ISA

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

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

Charges – There are no charges for buying, selling or holding shares through the Fidelity Investment Trust Share Plan other than Stamp Duty of 0.5%, which is currently payable on all share purchases. However, if you invest through a Financial Adviser, there may be an initial charge of up to 3%.

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

BENEFICIAL OWNERS OF SHARES – INFORMATION RIGHTS

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

INVESTING ONLINE

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

CONTACT INFORMATION

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

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

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

Holders of ordinary shares – Capita Registrars, Registrars to Fidelity Japanese Values PLC, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0GA. Telephone: 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open 8.30am – 5.30pm Monday to Friday)
Email: ssd@capitaregistrars.com

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

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

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

Fidelity ShareNetwork
www.fidelity.co.uk/sharenetwork

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 836892
www.fidelity.co.uk/its

ONLINE SHAREHOLDER SERVICES – SHARE PORTAL

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

- Account Enquiry – Allows shareholders to access their personal shareholding, including share transaction history, dividend payment history and to obtain an up-to-date shareholding valuation;

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

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

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

Capita Share Dealing Services – You can make use of a low cost share dealing service provided by Capita Registrars to buy or sell shares. Further information is available at www.capitadeal.com, or by telephoning 0871 664 0454 (calls cost 10p per minute plus network extras. Lines are open 8.30am – 5.30pm Monday to Friday). Using Capita Share Dealing Services you will also be able to deal in the shares of other companies for which Capita acts as Registrar, provided you are already a shareholder in the relevant company, and that company offers the Share Deal facility to its shareholders.

Dividend Reinvestment Plan – This is a convenient way to build up your shareholding by using your cash dividends to buy more shares in the Company. If you prefer to receive shares for your next dividend instead of cash please complete an application form online at www.capitashareportal.com or call Capita IRG Trustees on 0871 644 0381 (calls cost 10p per minute plus network extras) from UK or +44 20 8639 3402 from overseas.

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

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 0906 843 0000, selecting option 2 and entering 4021 (calls charged at 60p per minute on a per second basis from a BT landline. Charges from other telephone networks may vary.)

FURTHER INFORMATION

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

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

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

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

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

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

Issued by Fidelity Japanese Values PLC

WARNING TO SHAREHOLDERS – "BOILER ROOM" SCAMS

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

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

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

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

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

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

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