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# FIDELITY JAPAN TRUST PLC

Half-Yearly Report for the  
six months ended 30 June 2022



**Fidelity**<sup>™</sup>  
INTERNATIONAL

# Objective and Overview

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

Fidelity Japan Trust PLC uses its local presence to fully exploit the investment opportunities in Japan.

Around 90% of Japanese small and mid-sized companies get little or no analyst coverage. As under-researched companies are more likely to be undervalued, this presents an opportunity.

The Company looks to benefit from the more dynamic sectors of Japan's economy, focusing on fast growing but attractively valued stocks. With an acute understanding of this unique region and economy, combined with Fidelity's hands-on local research, Nicholas Price, the Portfolio Manager, and the team of analysts identify stocks often not picked out by others.



**Kepler**  
GROWTH  
RATING

2022

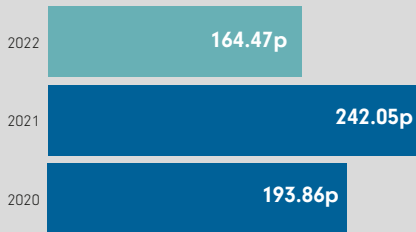
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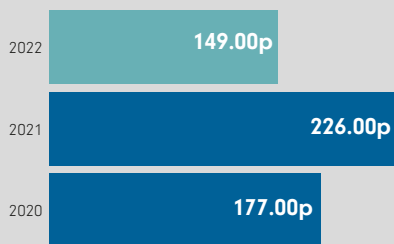
## Portfolio Manager's Review

Read more on pages 04 to 07

### Net Asset Value per Ordinary Share as at 30 June



### Ordinary Share Price as at 30 June



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# At a Glance

Six months ended 30 June 2022

**Net Asset Value per  
Ordinary Share  
total return<sup>1</sup>**

**-31.7%**

(30 June 2021: +2.3%)

**Ordinary Share Price  
total return<sup>1</sup>**

**-34.9%**

(30 June 2021: +2.5%)

**Reference Index  
(in sterling terms)<sup>2</sup>**

**-10.0%**

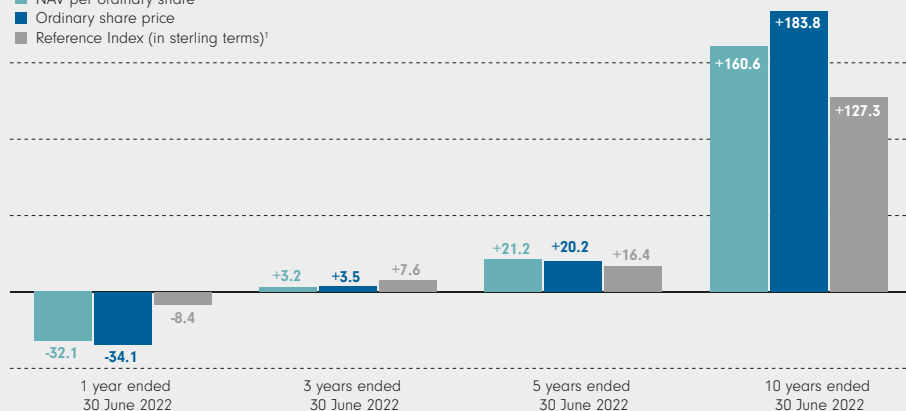
(30 June 2021: +0.2%)

1 Alternative Performance Measures (see Glossary of Terms on page 31).

2 The Reference Index is the TOPIX Total Return Index (in sterling terms).

## Standardised Performance Total Return (%)

■ NAV per ordinary share  
■ Ordinary share price  
■ Reference Index (in sterling terms)<sup>1</sup>



1 The Reference Index changed on 22 May 2018 from the Russell Nomura Mid/Small Index (in sterling terms) to the TOPIX Total Return Index (in sterling terms).

Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

# Summary of Results

	30 June 2022	31 December 2021
<b>Assets</b>		
Total portfolio exposure <sup>1</sup>	<b>£266.3m</b>	£380.4m
Shareholders' funds	<b>£213.5m</b>	£312.7m
Total portfolio exposure in excess of shareholders' funds (Gearing – see page 9) <sup>2</sup>	<b>24.7%</b>	21.6%
Net asset value ("NAV") per ordinary share <sup>2</sup>	<b>164.47p</b>	240.73p
<b>Share Price and Discount data</b>		
Ordinary share price at the period end	<b>149.00p</b>	229.00p
Discount at the period end <sup>2</sup>	<b>9.4%</b>	4.9%
	<b>30 June 2022</b>	30 June 2021
<b>Results – see pages 14 and 15</b>		
Revenue return per ordinary share <sup>2</sup>	<b>0.89p</b>	0.96p
Capital (loss)/return per ordinary share <sup>2</sup>	<b>(77.16p)</b>	4.46p
Total (loss)/return per ordinary share <sup>2</sup>	<b>(76.27p)</b>	5.42p

- 1 The total exposure of the investment portfolio, including exposure to the investments underlying the long contracts for difference. See page 9.
- 2 Alternative Performance Measures.

## As at 30 June 2022

### Shareholders' Funds

£213.5m

### Market Capitalisation

£193.4m

### Capital Structure

Ordinary Shares of 25 pence held outside of Treasury

129,826,894

## Summary of the key aspects of the Investment Policy

The Portfolio Manager will typically focus on those companies primarily listed on Japanese stock exchanges whose growth prospects are not fully recognised by the market ("growth at a reasonable price"). The Portfolio Manager is not restricted in terms of size or industry of the underlying entities in which he invests.

The Company can hold cash or invest in cash equivalents, including money market instruments, and is also able to use derivatives for efficient portfolio management, gearing and investment purposes.

The Portfolio Manager must work within the guidelines set out in the Investment Policy.

The Company operates a variable management fee arrangement which is calculated by referencing performance relative to the Reference Index (in sterling terms).

# Portfolio Manager's Review

## Market Review

The first half of the year has been difficult for investors, with prices declining across regions and asset classes. While the Japanese market has fallen only modestly in yen terms, the reality is that, under the surface, style trends have been extreme. This is the result of aggressive action by the US Federal Reserve to address inflation, supply chain disruptions due to COVID-19 and the war in Ukraine. Growth stocks have underperformed their value counterparts by more than 20% over the past six months, which has created performance headwinds for the Company.

Against this backdrop, high valuation stocks in sectors such as Electric Appliances, Precision Instruments and Services have faced compression in price-to-earnings multiples amid rising bond yields. Exporters in general have been weak as concerns over a recession in the US and lockdowns in China outweighed the benefits of a weaker yen. Conversely, the Mining and Oil & Coal sectors have been among the strongest performers over the past six months, reflecting tightness in commodities. Rate-sensitive Financials also did well, and Utilities outperformed on the prospect of further nuclear restarts.

Despite ongoing supply disruptions and rising input costs, Japanese companies delivered strong earnings results for the year to March 2022. On an all-industry basis, sales increased by 11% from the previous year and net profits jumped by 38%. The largest contributions came from Manufacturing, Commodities and Shipping. Total dividends and share buybacks for the fiscal year reached record highs, with cheap valuations and cash-rich balance sheets seeing buybacks accelerate to unprecedented levels in the month of May.

On the macroeconomic front, the Japanese economy experienced a decline in the first three months of 2022, with real GDP coming in at -0.5% annualised. The Omicron hit to consumer spending was relatively mild, but supply constraints held back capital expenditure and various stages of production. Subsequent economic indicators underscored the constraints on the Manufacturing sector from rising input prices and the lockdowns in China, while domestic services and consumption continued to recover as the pandemic receded. Meanwhile, the Bank of Japan maintained its existing monetary policy and the Japanese government passed a supplementary budget, centred on measures to counter rising prices.

## Portfolio Review

In the six months to 30th June 2022, the Company's net asset value ("NAV") declined by -31.7% in sterling terms, underperforming the Reference Index, which returned -10.0%. The share price return was -34.9% over the same period, which reflected a widening of the discount from 4.9% to 9.4% as at 30th June. The 6% fall in the value of the yen against the pound since the end of last year weighed on the sterling-based returns of the Company's NAV, its share price and the Reference Index. This stems largely from the widening policy divergence between the Bank of Japan, which maintains an accommodative monetary stance, and the Bank of England, which is raising interest rates.

The new year brought with it an extreme style rotation that led to the outperformance of value names and sharp declines for long-duration growth stocks that are vulnerable to changes in interest rates. In this environment, holdings in mid/small-cap growth stocks in the Information & Communication sector were among the most

significant detractors from performance. In particular, software-as-a-service (SaaS) related names corrected from the end of last year, as the prospect of further monetary tightening in the US and Europe led to a sharp compression in valuation multiples. Key examples here are Sansan, Raksul and Coconala. However, as these companies shift from investment to growth mode and as Japan continues to reopen, we expect the market to reappraise them based on improvements to their bottom-line.

At the same time, companies tied to secular growth trends such as factory automation (FA) and electric vehicles (EV) that did well last year were subject to profit taking. For example, FA components supplier MISUMI Group experienced a temporary slowdown in earnings due to supply chain disruptions and procurement difficulties. However, it remains a highly differentiated FA-related company with a strong digitalised business that is trading on attractive valuations.

On a positive note, holdings in domestic-oriented companies that benefit from economic reopening as the pandemic recedes contributed to performance. Confectionary company Kotobuki Spirits and theme park operator Oriental Land added value. Since the Japanese government ended the quasi state of emergency in March, there have been burgeoning signs of improving mobility and consumer demand. Elsewhere, shares in medical equipment maker Olympus jumped to a record high following the announcement of its fiscal 2021 earnings. The company reported strong results and forecasted that profits would reach new highs in fiscal 2022 (twelve months to March 2023), driven by the growth of its core endoscopic solutions business. Further progress in restructuring and the prospect of higher shareholder returns also supported its share price.

## Portfolio Positioning

There has been no significant change in terms of sector level positioning. The Company remains overweight in the Services and Information & Communication sectors, albeit with a reduced weighting in the latter due to negative price movements. At the opposite end of the scale, Transportation Equipment and Banks remain underweight. There was a moderate increase in the level of gearing to 24.7% from 21.6% and is, as always, dependent on bottom-up conviction in the available investment opportunities and valuations.

We turned a bit more cautious towards the end of last year (inventories were on the rise in the Manufacturing sector and there were signs of a post-COVID-19 shift from Goods to Services) and started to look towards companies that can grow sustainably through the second half of 2022 and 2023. Against this backdrop, we have been focusing on defensive/sustainable growth names and services companies that can grow their earnings in a more testing environment, as well as those that can positively surprise the market on mid-term growth. Key active positions such as NOF, Olympus and Oriental Land are prime examples. We are also looking at oversold growth names that are globally competitive and trading on compelling valuations. Gas water heater maker Rinnai is a recent example. Some small-cap growth names have become value stocks, so there is a good opportunity for multiple expansion in the future.

At the same time, we have been keeping a close eye on the spike in commodity prices, especially oil, as this will exert a further squeeze on manufacturing margins. On the flip side, there are opportunities in companies that supply equipment to the Energy sector (beneficiaries of energy diversification in Europe) and are at the bottom of their

## Portfolio Manager's Review continued

respective cycles. Plant engineering company JGC Holdings is an example of a stock that we added to the portfolio. Efforts to secure alternative energy sources globally are driving new liquefied natural gas (LNG) plant orders for the company.

Conversely, we reduced the Company's exposure to Manufacturers that are susceptible to a correction in demand as overseas consumers' spending patterns change and disposable incomes come under pressure from rising prices. Positions in electronic components maker TDK and auto parts supplier Koito Manufacturing were reduced.

### Unlisted Positions

Following shareholders' approval of increasing the Company's unlisted limit to 20%, we remain highly active in this domain. From a bottom-up perspective, we continue to see significant entrepreneurial activity in Japan, more so compared with five to ten years ago. While new listings (both in Japan and globally) are coming under pressure amid heightened geopolitical and inflationary risks, new growth companies are still coming through, which will create future opportunities in the pre-initial public offering (IPO) market. Being on the ground in Japan, and seeing many different companies, means that we are well-placed to help entrepreneurs in the latter stages of their pre-IPO journey. At the end of the review period, seven unlisted names were held (representing 8% of the portfolio), including a new position in Studyplus, a company that operates Japan's leading learning management platform for high school students and associated services for educational institutions. We continue to evaluate new opportunities, while maintaining a disciplined approach towards valuation.

### Sustainability and Engagement

In the first six months of 2022, the investment team in Tokyo, led by our Head of Engagement, conducted 70 engagement meetings (in addition to our fundamental research meetings), covering 29 names held by the Company. Themes that formed part of these Environmental, Social and Governance (ESG) engagements include board composition and executive remuneration, climate change and environmental opportunities, and gender diversity.

Mitsui High-tec is a good example of a company that we hold in the portfolio and with which we have consistently engaged. It is a key enabler of automotive electrification and is the leading global supplier of motor cores for electric and hybrid vehicles. Our engagement centred mainly around corporate governance, but also covered climate change. On governance, we highlighted board members' low approval rate at the previous annual general meeting (AGM) and urged the company to increase its independent outside directors and to establish nomination and remuneration committees. We also encouraged the company to become a signatory to the Task Force on Climate-Related Financial Disclosures (TCFD). Subsequent meetings with Mitsui High-tec revealed that it had made good progress in implementing our proposals, including making amendments to its board structure, increasing the number of external directors, and establishing a sustainability committee with a view to signing up to the TCFD. The company's efforts were recognised externally, and MSCI upgraded its ESG rating in May 2022.



## Outlook

Markets will remain susceptible to a high level of macroeconomic uncertainty, centred on global inflation and interest rates, and attendant concerns about the risk of recession. While we are closely monitoring the impact that imported costs are having on companies and consumers in Japan, inflation is much lower than in other regions and the country is starting to get back to normal as the pandemic recedes. In this environment, we are focusing on domestic reopening names and oversold, consistent growers. There are also a lot of opportunities in the mid/small-cap space, where valuations have come down significantly and made it a bargain sale for mid-term investors.

As noted in last year's Annual Report, the average price-to-earnings ratio (PER) of the holdings in the Company's portfolio has come down quite considerably, to a level that is closer to the market average. The PER for the current year still shows a premium versus the index, as some COVID-19 reopening plays have yet to fully recover. However, the multiple for 2023 is in line with the market, yet with a significantly higher rate of earnings growth and returns. Looking forward, we expect the companies held in the Company to do well in terms of relative earnings growth and thereby support future performance.

Japan continues to offer a wealth of under-researched mid/small-cap growth companies. Active managers such as myself, based here on the ground, have the opportunity not only to invest in established global leaders, but also to unearth less well-known companies (including pre-IPO), where lower levels of analyst coverage can often create some great mispriced opportunities. In an uncertain environment, our in-depth research and on-the-

ground knowledge are invaluable when looking at the micro level and speaking to company management to fully understand the prevailing dynamics.

## Nicholas Price

Portfolio Manager

2 August 2022

# Twenty Largest Holdings

as at 30 June 2022

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

Company and Sector	Fair Value	Portfolio Exposure	
	£'000	£'000	% <sup>1</sup>
<b>Long Exposures – shares unless otherwise stated</b>			
<b>NOF (shares and long CFD)</b> Chemicals	10,605	19,560	9.2
<b>Olympus (long CFD)</b> Precision Instruments	162	10,153	4.8
<b>Rinnai</b> Metal Products	8,441	8,441	4.0
<b>Ryohin Keikaku (long CFD)</b> Retail Trade	305	8,287	3.9
<b>Mitsui High-tec</b> Electric Appliances	8,265	8,265	3.9
<b>Oriental Land (shares and long CFD)</b> Services	252	7,793	3.6
<b>MISUMI Group</b> Wholesale Trade	7,677	7,677	3.6
<b>Kotobuki Spirits</b> Foods	7,594	7,594	3.5
<b>Yamaha</b> Other Products	5,977	5,977	2.8
<b>Asoview</b> Unlisted	5,690	5,690	2.7
<b>Kansai Paint</b> Chemicals	5,661	5,661	2.6
<b>JustSystems</b> Information & Communication	5,451	5,451	2.5
<b>Nihon M&amp;A Center (shares and long CFD)</b> Services	1,654	5,436	2.5

Company and Sector	Fair Value	Portfolio Exposure	
	£'000	£'000	% <sup>1</sup>
<b>Long Exposures – shares unless otherwise stated</b>			
<b>Ajinomoto</b>	5,315	5,315	2.5
Foods			
<b>Nojima</b>	4,931	4,931	2.3
Retail Trade			
<b>Raksul</b>	4,820	4,820	2.2
Information & Communication			
<b>Shimadzu</b>	4,323	4,323	2.0
Precision Instruments			
<b>DIP</b>	4,219	4,219	2.0
Services			
<b>Keyence (long CFD)</b>	2	4,175	2.0
Electric Appliances			
<b>Riken Keiki</b>	3,996	3,996	1.9
Precision Instruments			
<b>Twenty largest exposures</b>	<b>95,340</b>	<b>137,764</b>	<b>64.5</b>
Other exposures	119,746	128,535	60.2
<b>Total Portfolio (including long CFDs)</b>	<b>215,086</b>	<b>266,299</b>	<b>124.7</b>

#### Fair Value and Portfolio Exposure of Investments as at 30 June 2022

	Fair Value	Portfolio Exposure	
	£'000	£'000	% <sup>1</sup>
Investments	213,610	213,610	100.0
Derivative instrument assets – long CFDs	1,483	49,895	23.4
Derivative instrument liabilities – long CFDs	(7)	2,794	1.3
<b>Total Portfolio (including long CFDs)</b>	<b>215,086</b>	<b>266,299</b>	<b>124.7</b>

<b>Shareholders' Funds</b>	<b>213,532</b>
<b>Gearing<sup>2</sup></b>	<b>24.7%</b>

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

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

# Interim Management Report

## Discount Management, Share Repurchases and Treasury Shares

The Board has an active discount management policy, the primary purpose of which is to reduce discount volatility. The discount has widened from 4.9% at the start of the year to 9.4% at the end of the reporting six month period. It has remained in line with the Company's policy of managing the discount so that it remains in single digits in normal market conditions. The Board has authority to repurchase up to 14.99% of the Company's shares to be either cancelled or held in Treasury.

As part of the discount management policy, 50,000 ordinary shares were repurchased for holding in Treasury on 9 May 2022. Since the end of the reporting period and as at the date of this report, no further shares have been repurchased.

## Principal Risks and Uncertainties

The Board, with the assistance of the Manager (FIL Investment Services (UK) Limited), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key existing and emerging risks and uncertainties faced by the Company.

The Board considers that the principal risks and uncertainties faced by the Company fall into the following categories: geopolitical and natural disaster risks; performance and gearing risks; discount control and demand risks; key person risk; market, economic and currency risks; cybercrime risk; environmental, social and governance (ESG) risks; operational resilience risk (including third party service providers operational risks); and tax and regulatory risks. Information on each of these risks is given in the Strategic Report section of the Annual Report for the year ended 31 December 2021. A copy of the Annual Report can be found

on the Company's pages of the Manager's website at [www.fidelity.co.uk/japan](http://www.fidelity.co.uk/japan).

While the principal risks and uncertainties are the same as those at the previous year end, the uncertainty has been heightened by the ongoing Russia and Ukraine conflict. The quantum of risks has changed and continues to change. The Board remains vigilant in monitoring the risks.

A key emerging risk that the Board has identified is climate change. It is one of the most critical emerging issues confronting asset managers and their investors. The Board notes that the Manager has integrated ESG considerations, including climate change, into the Company's investment process. The Board will continue to monitor this.

Risks from the emerging new variants of COVID continue, but the defence against the virus gets stronger with each passing year as vaccination and booster rates increase and treatment for those affected improves. Investors should be prepared for market fluctuations and remember that holding shares in the Company should be considered to be a long-term investment. These risks are somewhat mitigated by the investment trust structure of the Company which means that no forced sales need to take place to deal with any redemptions. Therefore, investments in the Company's portfolio can be held over a longer-time horizon.

The Manager carries on reviewing its business continuity plans and its operational resilience strategies on an ongoing basis. It continues to take all reasonable steps in meeting its regulatory obligations and to assess operational risks, the ability to continue operating and the steps it needs to take to serve and support its clients, including the Board. The Manager has appropriate business continuity plans in place and the provision of

services has continued to be supplied without interruption during the pandemic and continues to do so.

Investment team key activities, including those of portfolio managers, analysts and trading/support functions, have continued to perform well despite the operational challenges posed when working from home or when split team arrangements were in place during the peak of the pandemic, and more recently disruption from the rail strikes.

The Company's other third party service providers have also implemented similar measures to ensure that business disruption is kept to a minimum.

### **Transactions with the Manager and Related Parties**

The Manager has delegated the Company's portfolio management and company secretariat services to FIL Investments International. Transactions with the Manager and related party transactions with the Directors are disclosed in Note 12 to the Financial Statements on page 26.

### **Going Concern Statement**

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio and its expenditure and cash flow projections. The Directors, having considered the liquidity of the Company's portfolio of investments (being mainly securities which are readily realisable) and the projected income and expenditure, are satisfied that the Company is financially sound and has adequate resources to meet all of its liabilities and ongoing expenses and can continue in operational existence for a period of at least twelve months from the date of this Half-Yearly Report.

This conclusion also takes into account the Board's assessment of the ongoing risks from COVID and evolving variants as set out on the previous page and above.

Accordingly, the Financial Statements of the Company have been prepared on a going concern basis.

Continuation votes are held every three years and the next continuation vote will be put to shareholders at the Annual General Meeting in 2025.

### **By Order of the Board**

FIL Investments International  
2 August 2022

## Directors' Responsibility Statement

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

The Directors confirm to the best of their knowledge that:

- the condensed set of Financial Statements contained within the Half-Yearly Report has been prepared in accordance with the Financial Reporting Council's Standard FRS 104: Interim Financial Reporting; and
- the Portfolio Manager's Review on pages 4 to 7 and the Interim Management Report on pages 10 and 11 include a fair review of the information required by DTR 4.2.7R and 4.2.8R.

In line with previous years, the Half-Yearly Report has not been audited or reviewed by the Company's Independent Auditor.

The Half-Yearly Report was approved by the Board on 2 August 2022 and the above responsibility statement was signed on its behalf by David Graham, Chairman.

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# Income Statement

for the six months ended 30 June 2022

		Six months ended 30 June 2022 unaudited		
	Notes	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments		–	(85,662)	(85,662)
(Losses)/gains on derivative instruments		–	(13,369)	(13,369)
Income	4	1,806	–	1,806
Investment management fees	5	(168)	(724)	(892)
Other expenses		(320)	–	(320)
Foreign exchange losses		–	(383)	(383)
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>		<b>1,318</b>	<b>(100,138)</b>	<b>(98,820)</b>
Finance costs	6	(15)	(61)	(76)
<b>Net return/(loss) on ordinary activities before taxation</b>		<b>1,303</b>	<b>(100,199)</b>	<b>(98,896)</b>
Taxation on return/(loss) on ordinary activities	7	(148)	–	(148)
<b>Net return/(loss) on ordinary activities after taxation for the period</b>		<b>1,155</b>	<b>(100,199)</b>	<b>(99,044)</b>
<b>Return/(loss) per ordinary share</b>	8	<b>0.89p</b>	<b>(77.16p)</b>	<b>(76.27p)</b>

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

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

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



Six months ended 30 June 2021 unaudited			Year ended 31 December 2021 audited		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
-	3,095	3,095	-	847	847
-	4,419	4,419	-	5,521	5,521
1,960	-	1,960	3,476	-	3,476
(216)	(1,174)	(1,390)	(448)	(2,429)	(2,877)
(317)	-	(317)	(620)	(13)	(633)
-	(458)	(458)	-	(533)	(533)
1,427	5,882	7,309	2,408	3,393	5,801
(17)	(68)	(85)	(35)	(138)	(173)
1,410	5,814	7,224	2,373	3,255	5,628
(160)	-	(160)	(278)	-	(278)
1,250	5,814	7,064	2,095	3,255	5,350
0.96p	4.46p	5.42p	1.61p	2.50p	4.11p

# Statement of Changes in Equity

for the six months ended 30 June 2022

	Note	Share capital £'000
<b>Six months ended 30 June 2022 (unaudited)</b>		
<b>Total shareholders' funds at 31 December 2021</b>		<b>34,041</b>
Repurchase of ordinary shares	10	-
Net (loss)/return on ordinary activities after taxation for the period		-
<b>Total shareholders' funds at 30 June 2022</b>		<b>34,041</b>
<b>Six months ended 30 June 2021 (unaudited)</b>		
<b>Total shareholders' funds at 31 December 2020</b>		<b>34,041</b>
Repurchase of ordinary shares	10	-
Net return on ordinary activities after taxation for the period		-
<b>Total shareholders' funds at 30 June 2021</b>		<b>34,041</b>
<b>Year ended 31 December 2021 (audited)</b>		
<b>Total shareholders' funds at 31 December 2020</b>		<b>34,041</b>
Repurchase of ordinary shares	10	-
Net return on ordinary activities after taxation for the year		-
<b>Total shareholders' funds at 31 December 2021</b>		<b>34,041</b>

Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total shareholders' funds £'000
<b>20,722</b>	<b>2,767</b>	<b>46,942</b>	<b>218,406</b>	<b>(10,225)</b>	<b>312,653</b>
-	-	(77)	-	-	(77)
-	-	-	(100,199)	1,155	(99,044)
<b>20,722</b>	<b>2,767</b>	<b>46,865</b>	<b>118,207</b>	<b>(9,070)</b>	<b>213,532</b>
20,722	2,767	48,445	215,151	(12,320)	308,806
-	-	(1,499)	-	-	(1,499)
-	-	-	5,814	1,250	7,064
20,722	2,767	46,946	220,965	(11,070)	314,371
20,722	2,767	48,445	215,151	(12,320)	308,806
-	-	(1,503)	-	-	(1,503)
-	-	-	3,255	2,095	5,350
20,722	2,767	46,942	218,406	(10,225)	312,653

# Balance Sheet

as at 30 June 2022

Company Number 2885584

	Notes	30.06.22 unaudited £'000	31.12.21 audited £'000	30.06.21 unaudited £'000
<b>Fixed assets</b>				
Investments	9	213,610	307,738	308,825
<b>Current assets</b>				
Derivative instruments	9	1,483	1,006	1,023
Debtors		1,390	525	1,533
Cash at bank		891	4,741	6,535
		3,764	6,272	9,091
<b>Current liabilities</b>				
Derivative instruments	9	(7)	(717)	(1,638)
Bank overdraft		–	(11)	–
Other creditors		(3,835)	(629)	(1,907)
		(3,842)	(1,357)	(3,545)
<b>Net current (liabilities)/assets</b>		(78)	4,915	5,546
<b>Net assets</b>		213,532	312,653	314,371
<b>Capital and reserves</b>				
Share capital	10	34,041	34,041	34,041
Share premium account		20,722	20,722	20,722
Capital redemption reserve		2,767	2,767	2,767
Other reserve		46,865	46,942	46,946
Capital reserve		118,207	218,406	220,965
Revenue reserve		(9,070)	(10,225)	(11,070)
<b>Total shareholders' funds</b>		213,532	312,653	314,371
<b>Net asset value per ordinary share</b>	11	164.47p	240.73p	242.05p

# Notes to the Financial Statements

## 1 Principal Activity

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

## 2 Publication of Non-statutory Accounts

The Financial Statements in this Half-Yearly Report have not been audited by the Company's Independent Auditor and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 (the "Act"). The financial information for the year ended 31 December 2021 is extracted from the latest published Financial Statements of the Company. Those Financial Statements were delivered to the Registrar of Companies and included the Independent Auditor's Report which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Act.

## 3 Accounting Policies

### (i) Basis of Preparation

The Company prepares its Financial Statements on a going concern basis and in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council. The Financial Statements are also prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC") in April 2021. FRS 104: Interim Financial Reporting has also been applied in preparing this condensed set of Financial Statements. The accounting policies followed are consistent with those disclosed in the Company's Annual Report and Financial Statements for the year ended 31 December 2021.

### (ii) Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements. This conclusion also takes into account the Board's assessment of the continuing risks arising from COVID-19 and evolving variants.

# Notes to the Financial Statements continued

## 4 Income

	Six months ended 30.06.22 unaudited £'000	Six months ended 30.06.21 unaudited £'000	Year ended 31.12.21 audited £'000
<b>Investment income</b>			
Overseas dividends	1,500	1,610	2,793
<b>Derivative income</b>			
Dividends received on long CFDs	306	350	683
<b>Total income</b>	<b>1,806</b>	<b>1,960</b>	<b>3,476</b>

A special dividend of £42,000 has been recognised in capital during the period (six months ended 30 June 2021 and year ended 31 December 2021: £nil).

## 5 Investment Management Fees

	Revenue £'000	Capital £'000	Total £'000
<b>Six months ended 30 June 2022 (unaudited)</b>			
Investment management fees – base	168	671	839
Investment management fees – variable*	–	53	53
	<b>168</b>	<b>724</b>	<b>892</b>
<b>Six months ended 30 June 2021 (unaudited)</b>			
Investment management fees – base	216	865	1,081
Investment management fees – variable*	–	309	309
	<b>216</b>	<b>1,174</b>	<b>1,390</b>
<b>Year ended 31 December 2021 (audited)</b>			
Investment management fees – base	448	1,790	2,238
Investment management fees – variable*	–	639	639
	<b>448</b>	<b>2,429</b>	<b>2,877</b>

\* For the calculation of the variable management fee element, the Company's NAV return was compared to the Reference Index return on a daily basis. The period used to assess the performance was from 1 July 2018 until a three year history was established. From 1 July 2021 the performance period is now on a rolling three year basis.

## 5 Investment Management Fees continued

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management to FIL Investments International ("FIL"). Both companies are Fidelity group companies.

FIL charges base investment management fees at an annual rate of 0.70% of net assets. In addition, there is a +/- 0.20% variation fee based on performance relative to the Reference Index. Fees are payable monthly in arrears and are calculated on a daily basis.

The base investment management fees have been allocated 80% to capital reserve in accordance with the Company's accounting policies.

## 6 Finance Costs

	Revenue £'000	Capital £'000	Total £'000
<b>Six months ended 30 June 2022 (unaudited)</b>			
Interest paid on long CFDs	14	55	69
Interest paid on collateral and bank overdrafts	1	6	7
	15	61	76
<b>Six months ended 30 June 2021 (unaudited)</b>			
Interest paid on long CFDs	16	62	78
Interest paid on collateral and bank overdrafts	1	6	7
	17	68	85
<b>Year ended 31 December 2021 (audited)</b>			
Interest paid on long CFDs	31	124	155
Interest paid on collateral and bank overdrafts	4	14	18
	35	138	173

Finance costs have been allocated 80% to capital reserve in accordance with the Company's accounting policies.

## 7 Taxation on Return/(Loss) on Ordinary Activities

	Six months ended 30.06.22 unaudited £'000	Six months ended 30.06.21 unaudited £'000	Year ended 31.12.21 audited £'000
Overseas taxation	148	160	278

# Notes to the Financial Statements continued

## 8 Return/(Loss) per Ordinary Share

	Six months ended 30.06.22 unaudited	Six months ended 30.06.21 unaudited	Year ended 31.12.21 audited
Revenue return per ordinary share	0.89p	0.96p	1.61p
Capital (loss)/return per ordinary share	(77.16p)	4.46p	2.50p
<b>Total (loss)/return per ordinary share</b>	<b>(76.27p)</b>	5.42p	4.11p

The return/(loss) per ordinary share is based on the net return/(loss) on ordinary activities after taxation for the period divided by the weighted average number of ordinary shares held outside of Treasury during the period, as shown below:

	£'000	£'000	£'000
Net revenue return on ordinary activities after taxation for the period	1,155	1,250	2,095
Net capital (loss)/return on ordinary activities after taxation for the period	(100,199)	5,814	3,255
<b>Net total (loss)/return on ordinary activities after taxation for the period</b>	<b>(99,044)</b>	7,064	5,350
	Number	Number	Number
Weighted average number of ordinary shares held outside of Treasury during the period	129,862,529	130,322,142	130,097,688



## 9 Fair Value Hierarchy

The Company is required to disclose the fair value hierarchy that classifies its financial instruments measured at fair value at one of three levels, according to the relative reliability of the inputs used to estimate the fair values.

Classification	Input
<b>Level 1</b>	Valued using quoted prices in active markets for identical assets.
<b>Level 2</b>	Valued by reference to inputs other than quoted prices included in level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
<b>Level 3</b>	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 as disclosed in the Company's Annual Report for the year ended 31 December 2021 (Accounting Policies Notes 2 (j) and 2 (k) on pages 59 and 60). The table below sets out the Company's fair value hierarchy:

30 June 2022 (unaudited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit or loss</b>				
Investments	195,805	–	17,805	213,610
Derivative instrument assets	–	1,483	–	1,483
	195,805	1,483	17,805	215,093
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative instrument liabilities	–	(7)	–	(7)

## Notes to the Financial Statements continued

## 9 Fair Value Hierarchy continued

	Level 1	Level 2	Level 3	Total
31 December 2021 (audited)	£'000	£'000	£'000	£'000
<b>Financial assets at fair value through profit or loss</b>				
Investments	290,537	-	17,201	307,738
Derivative instrument assets	-	1,006	-	1,006
	290,537	1,006	17,201	308,744

**Financial liabilities at fair value through profit or loss**

Derivative instrument liabilities	-	(717)	-	(717)
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	Level 1	Level 2	Level 3	Total
30 June 2021 (unaudited)	£'000	£'000	£'000	£'000
<b>Financial assets at fair value through profit or loss</b>				
Investments	301,804	-	7,021	308,825
Derivative instrument assets	-	1,023	-	1,023
	301,804	1,023	7,021	309,848

**Financial liabilities at fair value through profit or loss**

Derivative instrument liabilities	-	(1,638)	-	(1,638)
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	30.06.22 unaudited £'000	31.12.21 audited £'000	30.06.21 unaudited £'000
<b>Level 3 Investments (unlisted)</b>			
Asoview	5,690	6,415	-
Moneytree	2,523	2,641	2,818
iYell	2,460	2,566	-
Yoriso	2,411	2,557	-
Studyplus	2,257	-	-
Spiber	2,115	2,436	-
Innophys	349	586	667
Photosynth	-	-	3,536
	17,805	17,201	7,021

## 10 Share Capital

	30 June 2022 unaudited		31 December 2021 audited		30 June 2021 unaudited	
	Number of shares	£'000	Number of shares	£'000	Number of shares	£'000
<b>Issued, allotted and fully paid</b>						
<b>Ordinary shares of 25 pence each held outside of Treasury</b>						
<b>Beginning of the period</b>	<b>129,876,894</b>	<b>32,469</b>	130,554,926	32,639	130,554,926	32,639
Ordinary shares repurchased into Treasury	(50,000)	(13)	(678,032)	(170)	(678,032)	(170)
<b>End of the period</b>	<b>129,826,894</b>	<b>32,456</b>	129,876,894	32,469	129,876,894	32,469
<b>Ordinary shares of 25 pence each held in Treasury*</b>						
<b>Beginning of the period</b>	<b>6,284,801</b>	<b>1,572</b>	5,606,769	1,402	5,606,769	1,402
Ordinary shares repurchased into Treasury	50,000	13	678,032	170	678,032	170
<b>End of the period</b>	<b>6,334,801</b>	<b>1,585</b>	6,284,801	1,572	6,284,801	1,572
<b>Total share capital</b>		<b>34,041</b>		34,041		34,041

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

The cost of ordinary shares repurchased into Treasury during the period was £77,000 (year ended 31 December 2021: £1,503,000 and six months ended 30 June 2021: £1,499,000). This amount was charged to the Other reserve.

# Notes to the Financial Statements continued

## 11 Net Asset Value per Ordinary Share

The calculation of the net asset value per ordinary share is based on the following:

	30.06.22 unaudited	31.12.21 audited	30.06.21 unaudited
Total shareholders' funds	<b>£213,532,000</b>	£312,653,000	£314,371,000
Ordinary shares held outside Treasury at period end	<b>129,826,894</b>	129,876,894	129,876,894
Net asset value per ordinary share	<b>164.47p</b>	240.73p	242.05p

It is the Company's policy that shares held in Treasury will only be reissued at net asset value per ordinary share or at a premium to net asset value per ordinary share and, therefore, shares held in Treasury have no dilutive effect.

## 12 Transactions with the Manager and Related Parties

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

During the period, fees for portfolio management services of £892,000 (six months ended 30 June 2021: £1,390,000 and year ended 31 December 2021: £2,877,000) and secretarial and administration fees of £25,000 (six months ended 30 June 2021: £25,000 and year ended 31 December 2021: £50,000) were payable to FIL. At the Balance Sheet date, fees for portfolio management services of £104,000 (31 December 2021: £245,000 and 30 June 2021: £227,000) and secretarial and administration fees of £13,000 (31 December 2021: £25,000 and 30 June 2021: £13,000) were accrued and included in other creditors. FIL also provides the Company with marketing services. The total amount payable for these services during the period was £77,000 (six months ended 30 June 2021: £63,000 and year ended 31 December 2021: £130,000). At the Balance Sheet date, fees for marketing services of £15,000 (31 December 2021: £4,000 and 30 June 2021: £11,000) were accrued and included in other creditors.

As at 30 June 2022, the Board consisted of four non-executive Directors (shown in the Directory on page 29), all of whom are considered to be independent by the Board. None of the Directors have a service contract with the Company. The Chairman receives an annual fee of £38,500, the Audit Committee Chairman an annual fee of £31,500 and each other Director an annual fee of £27,500. The following members of the Board hold ordinary shares in the Company: David Graham 78,489 shares, Sarah MacAulay 181,340 shares, David Barron 19,366 shares and Dominic Ziegler 16,000 shares.

# Shareholder Information

## Investing in Fidelity Japan Trust PLC

Fidelity Japan Trust PLC is a company listed on the London Stock Exchange and you can buy its shares through a platform, stockbroker, share shop or bank. Fidelity also offers a range of options, so that you can invest in the way that is best for you. Details of how to invest and the latest Key Information Document can be found on the Company's pages on the Manager's website at [www.fidelity.co.uk/japan](http://www.fidelity.co.uk/japan).

## CONTACT INFORMATION

Shareholders and Fidelity's Platform Investors should contact the appropriate administrator using the contact details given below and on the next page. Links to the websites of major platforms can be found online at [www.fidelityinvestmenttrusts.com](http://www.fidelityinvestmenttrusts.com)

## Shareholders on the main share register

Contact Link Group, Registrar to Fidelity Japan Trust PLC, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL.

Email: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)

Telephone: **0371 664 0300** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9:00 – 17:30, Monday to Friday, excluding public holidays in England and Wales).

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

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

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

Should you have any queries in respect of the Link Share Portal, contact the helpline on **0371 664 0391** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

## Fidelity Platform Investors

Contact Fidelity, using the freephone numbers given below, or by writing to: UK Customer Service, Fidelity, PO Box 391, Tadworth KT20 9FU.

Website: [www.fidelity.co.uk](http://www.fidelity.co.uk)

**Private investors:** call free on **0800 41 41 10**, 9:00 – 18:00, Monday to Saturday.

**Financial advisers:** call free on **0800 41 41 81**, 8:00 – 18:00, Monday to Friday.

# Shareholder Information continued

## General Enquiries

General enquiries should be made to the Secretary, at the Company’s registered office: FIL Investments International, Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Telephone: **01737 836347**

Email: **investmenttrusts@fil.com**

Website: **www.fidelityinvestmenttrusts.com**

If you hold Fidelity Japan Trust PLC shares in an account provided by Fidelity International, you will receive a report every six months detailing all of your transactions and the value of your shares.

## ShareGift

You may donate your shares to charity free of charge through ShareGift. Further details are available at **www.sharegift.org.uk**

Financial Calendar 2022/2023	
30 June 2022	Half-Year End
August 2022	Announcement of the Half-Yearly Results
August 2022	Publication of the Half-Yearly Report
31 December 2022	Financial Year End
March 2023	Announcement of the Annual Results
April 2023	Publication of the Annual Report
May 2023	Annual General Meeting

# Directory

## Board of Directors

David Graham (Chairman)  
David Barron (Audit Committee Chairman)  
Sarah MacAulay (Senior Independent Director)  
Dominic Ziegler

## Alternative Investment Fund Manager (AIFM/the Manager)

FIL Investment Services (UK) Limited  
Beech Gate  
Millfield Lane  
Lower Kingswood  
Tadworth  
Surrey  
KT20 6RP

## Investment Manager, Secretary and Registered Office

FIL Investments International  
Beech Gate  
Millfield Lane  
Lower Kingswood  
Tadworth  
Surrey  
KT20 6RP  
Email: [investmenttrusts@fil.com](mailto:investmenttrusts@fil.com)

## Banker and Custodian

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

## Depository

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

## Financial Adviser and Stockbroker

Stifel Nicolaus Europe Limited  
150 Cheapside  
London  
EC2V 6ET

## Independent Auditor

Ernst & Young LLP  
25 Churchill Place  
London  
E14 5EY

## Lawyer

Charles Russell Speechlys LLP  
5 Fleet Street  
London  
EC4M 7RD

## Registrar

Link Group  
10th Floor  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

## Directory continued

### General Data Protection Regulation ("GDPR")

#### What personal data is collected and how it is used

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

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

#### Sharing personal data

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

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

#### Retention period

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

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

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



# Glossary of Terms

## AIC

The Association of Investment Companies ("AIC"). The Company is a member of the AIC.

## AIF

Alternative Investment Fund ("AIF"). The Company is an AIF.

## AIFM

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

## AIFMD

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

## Alternative Performance Measures

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

- Discount/Premium;
- Gearing;
- Net Asset Value (NAV) per Ordinary Share;
- Ongoing Charges;
- Revenue, Capital and Total Returns; and
- Total Return Performance (Net Asset Value Total Return or Share Price Total Return).

## Collateral

Assets provided as security for the unrealised gain or loss under a contract for difference.

## Contract For Difference (CFD)

A contract for difference is a derivative. It is a contract between the Company and an investment house at the end of which the parties exchange the difference between the opening price and the closing price of

an underlying asset of the specified financial instrument. It does not involve the Company buying or selling the underlying asset, only agreeing to receive or pay the movement in its share price. A contract for difference allows the Company to gain access to the movement in the share price by depositing a small amount of cash known as collateral. If the Company trades long, dividends are received and interest is paid. If the Company trades short, dividends are paid and interest is received. The Company only uses "long" contracts for difference.

## Custodian

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

## Depository

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

## Derivatives

Financial instruments whose value is derived from the value of an underlying asset or other financial instrument. The main categories of derivatives are contracts for difference, futures, and options.

## Discount

If the share price of the Company is lower than the net asset value per ordinary share, the Company's shares are said to be trading at a discount. It is shown as a percentage of the net asset value per ordinary share.

## Glossary of Terms continued

### Fair Value

The **fair value** is the best measure of the realisable value of the investments, including **derivatives**, at a point in time and this is measured as:

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

### Fidelity

Fidelity International and other companies within the Fidelity Group.

### Gearing

**Gearing** is the **Total Portfolio Exposure** in excess of **Shareholders' Funds**. If assets rise in value, **gearing** magnifies the return to ordinary shareholders. Correspondingly, if assets fall in value, **gearing** magnifies that fall. **Contracts for difference** are used as a way of gaining exposure to the price movements of shares without buying the underlying shares directly.

### Investment Manager

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

### Independent Valuer

Kroll (formerly Duff & Phelps) who provide an objective and independent assessment of value of unlisted and hard to price assets.

### Manager

FIL Investment Services (UK) Limited is the appointed **Manager** under the Alternative Investment Fund Managers' Directive ("AIFMD") and it has delegated the investment management of the Company to the **Investment Manager** (FIL Investments International).

### Net Asset Value (NAV)

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

### Net Asset Value per Ordinary Share

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

### Ongoing Charges (excluding the variable management fee element)

Total operational expenses (excluding finance costs and taxation) incurred by the Company as a percentage of daily average **net asset values** for the reporting period.

### Portfolio Exposure

The value of an underlying security or instrument to which the Company is exposed, whether through direct or indirect investment (including the economic value of the exposure in the underlying asset of **derivatives**).

### Portfolio Manager

Nicholas Price is the appointed **Portfolio Manager** of the Company and is responsible for managing the Company's assets.

## Premium

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

## Reference Index

TOPIX Total Return Index (in sterling terms). Prior to 22 May 2018, it was the Russell Nomura Mid/Small Cap Index (in sterling terms). The **Reference Index** is the Company's Benchmark Index.

## Registrar

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

## Reserves

- **Share premium account** represents the amount by which the proceeds from the issue of ordinary shares, on the exercise of rights attached to subscription shares, exceeded the nominal value of those ordinary shares. It is not distributable by way of dividend and cannot be used to fund share repurchases.
- **Capital redemption reserve** maintains the equity share capital of the Company and represents the nominal value of shares repurchased and cancelled. It is not distributable by way of dividend and cannot be used to fund share repurchases.
- **Other reserve** was created in 1999 when the share premium account at the time was cancelled. It is not distributable by way of dividend. It can be used to fund share repurchases.
- **Capital reserve** represents realised gains and losses on investments and derivatives

sold, unrealised increases and decreases in the fair value of investments and derivatives held and other income and costs recognised in the capital column of the Income Statement. It can be used to fund repurchases and issuance of shares from Treasury and it is distributable by way of dividend.

- **Revenue reserve** represents retained revenue losses recognised in the revenue column of the Income Statement. It could be distributable by way of dividend if it were not in deficit.

## Return

The **return** generated in a given period from investments:

- **Revenue Return** reflects the dividends and interest from investments and other income net of expenses not capitalised, finance costs and taxation;
- **Capital Return** reflects the return on capital, excluding any revenue return; and
- **Total Return** reflects the aggregate of revenue and capital return in the period.

## Share Repurchases

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

## Glossary of Terms continued

### Shareholders' Funds

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

### Total Portfolio Exposure

The total of the fixed asset investments at fair value plus the fair value of the underlying securities within the contracts for difference.

### Total Return Performance

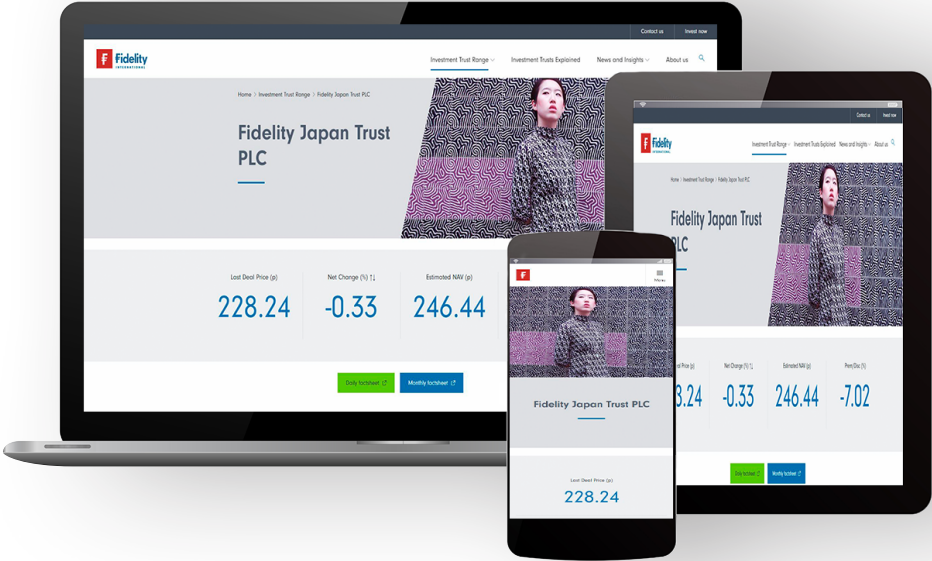
The return on the share price or net asset value per ordinary share after taking into account the rise and fall of share prices and dividends paid to shareholders. Any dividends received by the shareholder are assumed to have been reinvested in additional shares (for share price total return) or the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

### Treasury Shares

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







To find out more about Fidelity Japan Trust PLC, visit our website at [www.fidelity.co.uk/japan](http://www.fidelity.co.uk/japan) where you can read articles and watch videos on the Company.



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