FIDELITY JAPAN TRUST PLC

Annual Report for the year ended 31 December 2020

Financial Highlights:

- The net asset value ("NAV") of the Company increased by +24.8% for the year ended 31 December 2020, significantly outperforming the Reference Index, which returned +9.5%.

- The discount held steady over the year, closing at 6.8%. As a result, share price total return was +24.6%.

- Coconala, an online consumer to consumer platform and unlisted holding in the portfolio, listed on the Tokyo Stock Exchange on 19 March 2021. As a result, the valuation increased by 351% from £3,164,000 as at 31 December 2020 to £14,269,000. If the increase in value had been applied at 31 December 2020, the net assets of the Company would have increased by 3.6%.

- Over the Chairman's tenure on the Board, Shareholders' Funds have increased from £65m to £309m. Over the same period, the NAV has increased by 247.8% and the share price by 283.5%. This compares with a rise of 125.6% by the Reference Index.

Contacts

For further information, please contact:

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Company Secretary, FIL Investments International
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CHAIRMAN'S STATEMENT

PERFORMANCE REVIEW

In a period of extraordinary global turmoil precipitated by the coronavirus pandemic, the Japanese equity market experienced both the biggest drawdown and sharpest recovery of recent decades. Key indices entered bear territory in early March 2020, as risk assets were sold off globally on fears over the social and economic costs of the virus. However, a swift response from governments and central banks provided significant fiscal and monetary stimulus, spurring a recovery in financial markets. The intermittent reopening of economies, coupled with positive vaccine developments, accelerated the recovery. The rally saw key indices in Japan reach multi-decade highs towards the end of the year, though the uptrend was relatively narrow, led by mid-to-large cap companies across the technology, communications and health care sectors. Smaller companies and traditional value sectors lagged the broader market.

I'm pleased to report that, despite the Company's share price falling nearly 40% by 23 March 2020, the performance over the full year was excellent, both relative to peers and on an absolute returns basis. The NAV per share rose by 24.8% in sterling terms and the share price by 24.6%, significantly outperforming the Reference Index, which returned 9.5%. The discount held steady over the year, closing at 6.8%, despite the turbulent first half of 2020. As the Company's Portfolio Manager, Nicholas Price, notes in his review, the Company continues to lead its peers in performance over a five-year horizon.

DISCOUNT MANAGEMENT, SHARE REPURCHASES AND TREASURY SHARES

Over the reporting year, the Company's shares traded between a discount of 1.6% and 20.2%. It widened very slightly from 6.6% at the start of the year to 6.8% as at 31 December 2020 but remained in line with the Company's discount management policy of maintaining the discount in single digits in normal market conditions, as set out in the 2019 Report and Accounts.

In the reporting year, 2,652,164 ordinary shares were repurchased for holding in Treasury, keeping the discount stable as at 31 December 2020. This represented 1.9% of the issued share capital. Since the year end and up to 26 March 2021, the Company has repurchased a further 223,032 ordinary shares into Treasury.

At the forthcoming Annual General Meeting ("AGM"), the Board is seeking to renew the annual authority to repurchase up to 14.99% of the Company's shares, to be either cancelled or held in Treasury, as it has done each year previously.

COCONALA IPO

I am delighted to confirm that on 19 March 2021, online consumer to consumer (C2C) platform, Coconala, listed on the Tokyo Stock Exchange following a successful initial public offering. As a result, the valuation increased by 351% from £3,164,000 as at 31 December 2020 to £14,269,000. If the increase in value had been applied at 31 December 2020, the net assets of the Company would have increased by 3.6%.

APPOINTMENT OF AN ASSISTANT PORTFOLIO MANAGER

With effect from 1 September 2020, the Board agreed with Fidelity to appoint Cenk Simsek as Assistant Portfolio Manager to work alongside Nicholas. Introducing assistant and co-portfolio managers is a key part of Fidelity's ongoing investment innovation and equity strategy programmes.

SHAREHOLDER MOVEMENTS

As reported in last year's Annual Report, it is pleasing to note a continuing trend in shareholder activity in recent years as demonstrated in the table below. The Company's performance continues to be strong and we have seen increased activity by wealth managers, investment platforms and retail investors in accumulating the Company's shares since 2017. This has led to a rise in the holdings of these investors from 32% to 50% in the Company's shares, whilst institutional shareholdings have declined from 68% to 50%.

	Q4 2017	**Q4 2018**	**Q4 2019**	**Q4 2020**
Adviser Based	3%	4%	4%	5%
Institutional Investors	68%	58%	54%	50%
Platforms	15%	18%	20%	22%
Wealth Managers	14%	20%	22%	23%
Total	**100%**	**100%**	**100%**	**100%**

ALLOCATION OF FEES

With effect from 1 January 2020, the Board elected to charge 80% of base management fees and finance costs to capital and 20% to revenue, thereby reflecting the Company's focus on capital growth to generate returns. Prior to this, the practice was to charge these costs in their entirety to revenue. The change is a matter of judgement and the result of the Board reviewing its policy on the allocation of fees. Shareholders should note that while the new allocation of costs may lead to Revenue Reserve surpluses, which, over time should gradually reduce the Revenue Reserve deficit, the possible future payment of dividends was not a major consideration in adopting the change.

CHARGES

The ongoing charge for the reporting year was 0.94% (2019: 0.98%). The variable element of the management fee was a charge of 0.10% (2019: credit of 0.15%) due to the Company's outperformance against its Reference Index. Therefore, the total charge, including the variable element, was 1.04% (2019: 0.83%).

GEARING

The Company continues to gear the portfolio through the use of long contracts for difference ("CFDs"). Throughout the course of the year, the Board supported the Portfolio Manager in taking a dynamic approach to gearing in order to take advantage of market movements to the benefit of the Company's performance. The Portfolio Manager has the discretion to be up to 25% geared. However, with the Board's approval, gearing at one point in the reporting period was increased to 27.5% in order to take advantage of the attractive opportunities available in the market.

Total portfolio exposure at the end of the year was £381.3m, equating to gearing of 23.5% compared with 17.0% at the end of 2019. Further information can be found in the Strategic Report. As at 24 March 2021, gearing was 24.4%.

The Board continues to be of the view that using CFDs provides more flexibility at a much lower cost than traditional bank debt, despite the low level of interest rates.

VIRTUAL DUE DILIGENCE TRIP 2021

Continuing travel restrictions from the pandemic prevented the Board from going to Japan again this year. However, the Board did conduct a number of virtual meetings with the Fidelity team and external market experts in Japan during the week commencing 8 March 2021. These sessions gave us great comfort as to the quality and depth of support Nicholas and the investment team receive. We were also struck by the operational resilience of the team during the ongoing pandemic and it is particularly commendable that Nicholas attended 402 purely virtual company meetings in 2020 compared to 310 meetings (a combination of actual and virtual) in 2019.

SUCCESSION PLANNING AND BOARD CHANGES

The Board has a clearly defined succession plan in place. Philip Kay stepped down from the Board on 31 December 2020. I would like to take this opportunity to thank him on behalf of the Board and all of the Company's stakeholders for his contribution to the Board. He takes with him our very best wishes for the future.

I am pleased to welcome David Barron who joined the Board as a non-executive Director on 20 October 2020, allowing for a brief overlap period before Philip retired. David spent 25 years working in the investment management sector and was, until November 2019, Chief Executive Officer of Miton Group PLC following six years with the firm. Prior to this, he was Head of Investment Trusts at JP Morgan Asset Management for more than ten years and, until 2014, a Director of the Association of Investment Companies. He is currently Chairman of Dunedin Income Growth Investment Trust PLC and a non-executive Director of Premier Miton Group PLC. He is also a lay-member of the Council of Lancaster University. He is a Member of the Institute of Chartered Accountants of Scotland.

Sir Laurence Magnus stepped down from the Board as a non-executive Director and Chairman of the Audit Committee at the conclusion of the AGM on 19 May 2020. At the same time, David Graham took over as Chairman of the Audit Committee from Sir Laurence.

Having served ten years as a non-executive Director and nearly nine years as Chairman, I will be stepping down from the Board at the conclusion of the AGM on 18 May 2021. It is particularly pleasing to note that during my tenure on the Board and as at 31 December 2020, Shareholders' Funds have increased from £65m to £309m. Over the same period, the NAV has increased by 247.8% and the share price by 283.5%. This compares with a rise of 125.6% by the Reference Index. The discount has also significantly reduced from its peak of 18.2% in 2011 to 6.8% at the end of 2020. I have thoroughly enjoyed serving on your Board and would like to thank shareholders, my fellow Directors and the team at Fidelity for all the support I have been given. David Graham will succeed me as Chairman and will step down as Audit Committee Chairman at the same time. David Barron will take over as Chairman of the Audit Committee on 18 May 2021.

All Directors, with the exception of myself and David Barron, are subject to annual re-election at the AGM on 18 May 2021. David Barron being newly appointed, is subject to election at the AGM. Biographical details of the full Board are included in the Annual Report to assist shareholders when considering their voting at the AGM.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INVESTMENT

There continues to be increasing concern about climate change, leading to the growth of serious efforts to counter its effects. Businesses for their part are under pressure to ensure that their activities are environmentally sustainable, as well as demonstrating social responsibility and good corporate governance. Nicholas outlines Fidelity's approach to this important subject in his report and what this means for the Company's investment portfolio. The Fidelity group of companies (including the Manager) has embedded ESG factors in its investment decision making process including considerations relating to the reduction of carbon emissions by investee companies. Further details are in the Annual Report.

CHANGES TO THE ARTICLES OF ASSOCIATION

With the intention of providing the very best experience for shareholders and being mindful of potential future restrictions, the Board is proposing amendments to the Company's Articles of Association to enable the Company to hold 'hybrid' general meetings. 'Hybrid meetings' involve both the physical attendance by shareholders as well as by shareholders via electronic means. It is the current expectation of the Board that hybrid meetings would only be used where a solely 'physical meeting' is impracticable or unworkable. By changing the Company's Articles of Association, the Board will have the ability to determine whether an AGM or general meeting should be held as a 'physical meeting' or as a 'hybrid meeting'.

My fellow Directors and I greatly enjoy the opportunity to meet and exchange views with shareholders and a physical meeting will remain our default format as long as Government guidance permits it, but we are also keen to provide additional virtual facilities for those shareholders who may not, or are unable to, attend AGMs in person.

We have also taken the opportunity to update certain other provisions within the Articles of Association, including for example, removing mention of the subscription shares which were issued in 2014, retirement of Directors and regulatory restrictions and information. The principal changes proposed to the Articles of Association are set out in more detail in the Directors' Report in the Annual Report. A full tracked version of all the changes proposed to the Articles of Association is available at **www.fidelity.co.uk/japan**.

OUTLOOK

In broad terms we are cautiously optimistic about the investment outlook for Japanese stocks in 2021. The COVID-19 pandemic clearly poses near term risks, as new variants of the virus and rising infection rates across the globe push governments to extend or reimpose restrictions. However, the gradual roll out of vaccines and continued monetary and fiscal policy stimulus are positive for the outlook and should be supportive of Japanese equities. The Japanese market remains fairly valued in comparison with most other developed country markets and with the regeneration of growth in China and Asia generally, along with the expected recovery in the US, global conditions are positive. Against this backdrop, we expect the market to be in an earnings driven phase, with positive earnings surprises driving individual stocks rather than the multiple expansion that we saw in 2020.

DAVID ROBINS
Chairman
26 March 2021

“A year in review with the Chairman and the Portfolio Manager” and Annual General Meeting
In light of the ongoing pandemic restrictions, it unfortunately seems unlikely that we will be able to revert to our usual large-scale in-person AGM format this year.

Clearly it is a legal requirement to have an AGM and given that current legal guidance is that the relaxation on the imperative for physical meetings will probably not be renewed in April 2021, we have considered various options, settling on the idea of a two-stage alternative solution.

We have dubbed the first stage “A year in review with the Chairman and the Portfolio Manager”. This will comprise an hour-long series of online presentations and live Q&A with me and the Portfolio Manager. This event will take place virtually on 26 April 2021 at 9.30 am. We encourage all our investors to take this opportunity to ask questions and engage with the Company. We also feel that holding this event nearly three weeks before the formal AGM will allow shareholders sufficient time to consider how they wish to cast their votes before the voting deadline expires. Details will be made available nearer the time at **www.fidelity.co.uk/japan**. If anything changes then we will advise investors via the website.

The second stage will form the official, legal AGM and will take place on 18 May 2021 at 4.00 pm at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP. This meeting will be restricted to the formal business of the meeting as set out in the Notice of Meeting in the Annual Report and voting on the resolutions therein. It is difficult to predict what Government restrictions will be in place by this time, but it is our intention to keep the attendance of the meeting as restricted as possible.

Protecting the health of all investors, workforce and officers must be paramount at the current time. We therefore urge all shareholders to make use of the proxy form provided. If you hold shares through the Fidelity Platform or a nominee (and not directly in your own name), proxy forms are not provided, and you are advised to contact the company with which you hold your shares to determine alternative options (if available) for lodging your voting instructions.

We thank you for your cooperation and sincerely hope to resume the meeting’s usual format in the future.

PORTFOLIO MANAGER’S REVIEW

Nicholas Price was appointed as Portfolio Manager of Fidelity Japan Trust PLC on 1 September 2015. He joined Fidelity Investments Japan in 1993 as a research analyst. He became a portfolio manager in 1999 and has since been managing a number of Japanese equity portfolios on behalf of both Japanese and international clients.

Question
How has the Company performed in the period under review? What were the key contributors and detractors?

Answer
As noted in the Chairman’s Statement, the Company’s NAV per share increased by 24.8% in sterling terms and the share price rose by 24.6% in 2020, significantly outperforming the Reference Index, which returned 9.5%. The discount marginally changed over the period, closing the year at 6.8%, despite experiencing periods of extreme volatility in the first half of 2020. The Company also performed well versus most of its AIC Japan peer group and remains the strongest performer over five years (as of 31 December 2020).

Returns were sharply negative in the first quarter of 2020, led by holdings in technology related cyclicals and small cap services stocks. However, performance recovered strongly from the second quarter and core positions in medical technology, internet services and factory automation related companies contributed to the Company’s strong outperformance over the year.

The holding in Olympus, a global leader in endoscopes, was the standout contributor to returns. The company’s share price climbed to a record high after it announced plans to sell its loss-making camera business to Japan Industrial Partners, a private equity firm. The investment thesis, underpinned by the strength of its endoscope business, a new product cycle and management’s commitment to improving both governance and profitability, remains strong. We expect its valuation discount to global peers to continue to shrink.

In the transportation equipment sector, the position in Shimano, a maker of bicycle components, was a top contributor to performance. The stock surged on strong global demand for its products, as more people turned to bikes in order to take exercise and to avoid public transportation amid the pandemic. Meanwhile, selected positions in e-commerce and software/ online services companies, including Demae-can, Hennge and Z Holdings, did well thanks to the pandemic and the way it changed patterns of behaviour, including increased digitalisation

Conversely, Kotobuki Spirits, a confectionary supplier, and Kamakura Shinsho, an operator of funeral services, were among the most significant detractors from performance. These domestically oriented companies experienced a deep but temporary hit to earnings as the COVID-19 pandemic limited economic and social activity. However, both companies have strong balance sheets and command leading market positions. I expect them to come back stronger as conditions gradually normalise. Elsewhere, positions in speciality retailer Ryohin Keikaku and pharmaceuticals company Eisai underperformed on stock-specific factors.

Question
What have been the key changes to the portfolio and where do you see the greatest opportunities?

Answer
At the start of 2020, the portfolio had a relatively large technology tilt, with a focus on globally competitive companies with strong balance sheets, reasonable valuations and a secular growth story. While I took profits in some of the more cyclical technology stocks and naturally trimmed the winners, the overweight exposure to the sector remains in place. Key holdings include component makers Murata Manufacturing and TDK, both of which are beneficiaries of rising smartphone and automobile shipments, and increased content per unit.

Since then I have focused on domestic services stocks that are well positioned to recover and to grow their businesses as restrictions are lifted. Companies in the internet services, e-commerce and educational software sectors that can benefit from changes in the way we work, shop and play are of particular interest. There is likely to be a longer term impact on how companies do business together, and how their processes can become more resilient through, for example, the use of online and cloud computing. Japanese companies have generally been laggards in terms of building that resilience, and the COVID-19 crisis is highlighting the need for them to enhance their digital capabilities. Companies that can supply some of the services to facilitate corporate Japan’s digital transformation offer attractive growth opportunities.

I have also looked closely at balance sheets and companies’ ability to survive over the longer term. As a result, I reduced some of the financially leveraged names in the Company and some of the winners in 2019 that were ready for profit taking. I also avoided companies that had a one-time boost in pandemic related demand, or where I thought their recovery would be severely delayed.

Question
What are your current thoughts on gearing? And how has your use of gearing changed over the period under review?

Answer
With the approval of the Board, I increased the level of gearing during the first half of the year to around 25% from 17% at the end of 2019, as the market correction created opportunities to add or increase positions in high-conviction growth stocks across the communications, technology and health care sectors. As the market recovery gained traction towards the end of the year, I selectively took profits in strong performers such as Z Holdings and Olympus and recycled into new names. As a result, the level of gearing declined marginally to 23.5% by the end of December and stands at 24.4% at the time of writing.

Looking forward, I am more likely to take profits in the near term given the recent uptrend in share prices, though the level of gearing will be dependent on the number of new ideas generated in 2021. One area that has the potential to create opportunities is consumer/re-opening names that are likely to benefit from the normalisation of economic and social activity as the pandemic is gradually brought under control.

Question
Has the pandemic affected what you are seeing on the ground in terms of corporate activity and initial public offerings (IPOs)?

Answer
Even amid the pandemic, we saw significant company level activity in 2020. The IPO environment picked up in the second half of the year, with more than 90 companies coming to the market over the twelve month period. This represented a modest uptick from 2019 and is in line with the average over the past five years. Being on the ground means that we see a lot of these new ideas and business models first-hand, and continually meeting with pre-IPO companies enables us to identify the most attractive opportunities.

At the end of the review period, the Company held three unlisted securities. We continue to look for early-stage ideas and nascent disruptors, particularly among fast-growing services and internet-based companies, as well as innovative medical technology names.

There was also a significant amount of corporate activity in 2020, especially in terms of companies buying in their listed subsidiaries. Market reforms by the Tokyo Stock Exchange and enhancements to the Corporate Governance Code should drive further consolidation in 2021. There are opportunities to invest in companies, particularly conglomerates and industrials, where business reorganisation could drive a rerating or at least act as a share price catalyst.

Question
What has been the impact of the new Suga administration?

Answer
Prime Minister Yoshihide Suga took office in mid-September 2020 and brought continuity in terms of macroeconomic and foreign policies, but also a focus on domestic issues that raised the possibility of accelerated reform and deregulation. One policy that stands out is the modernising of government apparatus by digitalising the public sector. Radical changes in government infrastructure usually elicit strong opposition, but the COVID-19 crisis provided cover for an overhaul of the current system.

The digitalisation drive is also creating opportunities in the private sector, as the pandemic highlights the need for companies to enhance their digital capabilities after years of underinvestment in their information technology (IT) infrastructure. The Company is exposed to this theme through holdings in software as a service (SaaS) companies and efficiency enablers in the mid/ small cap companies space that have a decent runway of growth and are not well owned by other investors. Looking forward, Suga's commitment to reduce overall greenhouse gas emissions to zero by 2050 has the potential to throw up new investment opportunities in areas such as renewable energy and infrastructure spending.

Question
What have you been seeing in terms of environmental, social and governance (ESG) trends in general in Japan?

Answer
The Ministry of Economy Trade & Industry (METI) and the Financial Services Agency (FSA) have enacted a number of measures aimed at enhancing ESG-related factors, promoting effective engagement and stewardship, as well as encouraging companies to undertake business restructuring including spin-offs. As a member of the Council of Experts (an advisory body of industry leaders organised by the FSA), Fidelity provided views on various stewardship-related issues and contributed to the drafting of new revisions. Looking ahead, changes to the Corporate Governance Code in 2021 will aim to increase the number and quality of outside directors, improve capital efficiency through the elimination of cross shareholdings and enhance group-level governance through the dissolution of parent-subsidiary listings. Stock market reforms planned for 2022 will also challenge companies to improve governance, consolidate non-core businesses and unwind strategic shareholdings.

Question
And how do you incorporate ESG factors into your investment process? Could you provide an example of where active engagement has brought about real change?

Answer
At Fidelity, we believe that high standards of corporate responsibility generally make good business sense and have the potential to protect and enhance investment returns. The investment process undertaken by our research analysts takes ESG issues into account when, in our view, these issues have a material impact on either investment risk or return. ESG analysis is carried out at the analyst level within the investment team and, as the Portfolio Manager, I am also active in analysing the potential effects of ESG factors when making investment decisions for the Company.

By working closely with our Sustainable Investing team on the ground in Japan, we are able to identify laggard companies that are implementing real change and moving up the governance scale. This is particularly relevant for small and mid cap companies, where third party coverage is limited and simple disclosure, especially in English, is often limited. When the markets recognises these companies' efforts, there is a good chance for them to be rerated and revalued.

As an example of our ESG-related activities, I would highlight an excellent diversified chemicals company that the Company holds, with which we actively engaged through the year on the themes of climate change, waste and pollution, and governance. We engaged with the company at the start of 2020, focusing on its low ESG rating and potential improvement measures. We highlighted that the quality of its business and products was not fully reflected in its share price due to ESG-related issues. Management accepted that this stemmed primarily from poor disclosure on chemical safety and carbon emissions, as well as their reluctance to engage with shareholders. The company committed to dealing with these issues. The first positive outcome was a meeting with the CEO, who had never met with investors before, to further discuss ESG-related initiatives and disclosures. Following further meetings by our investment team, the company announced new medium term financial targets, which positively surprised the market as it represented a first constructive commitment to shareholders. This was followed by the company's release of its first integrated report and a detailed ESG data book, which now constitutes best practice and included our recommendations: a reduction plan for CO2 emissions and the establishment of a procurement policy that encompasses environmental and human rights issues.

Question
Clearly we are living in extraordinary times, but what might investors expect next and what should they be focusing on?

Answer
A number of themes present themselves. Certainly clean energy and environmental efficiency are areas where Japan has some very competitive companies that can supply solutions to the regulatory and productivity needs of customers globally. This is a core part of the portfolio and I expect related names to do well for the Company in future. As noted, COVID-19 has also accelerated trends in e-commerce and digitalisation. As profits recover, companies will prioritise those areas.

I intend casting the net further and will be looking particularly for companies with recovery potential in areas such as leisure and travel. As we start to see better earnings announcements in fiscal 2021, there will be an opportunity to pick up companies that are changing into, or returning as, growth names.

NICHOLAS PRICE
Portfolio Manager
26 March 2021

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT
As required by provisions 28 and 29 of the 2018 UK Corporate Governance Code, the Board has a robust ongoing process for identifying, evaluating and managing the principal risks and emerging risks faced by the Company, including those that could threaten its business model, future performance, solvency or liquidity. The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited/ the "Manager"), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key existing and emerging risks and uncertainties that the Company faces. The Board believes the key emerging risks to be climate change and the longer term ramifications from the pandemic.

The risks identified are placed on the Company's risk matrix and graded appropriately. This process, together with the policies and procedures for the mitigation of existing and emerging risks, is updated and reviewed regularly in the form of comprehensive reports considered by the Audit Committee. The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

The Manager also has responsibility for risk management for the Company. It works with the Board to identify and manage the principal risks and uncertainties and to ensure that the Board can continue to meet its UK corporate governance obligations.

The Board considers the following as the principal risks and uncertainties faced by the Company.

Principal Risks	Description and Risk Mitigation
Market Risk	The Company's assets consist mainly of listed securities and the principal risks are, therefore, market related such as market downturn, interest rate movements, exchange rate movements and ESG investing, including climate risk. The Portfolio Manager's success or failure to protect and increase the Company's assets against this background is core to the Company's continued success. The risk of the likely effects of COVID-19 on the markets is discussed in the Chairman's Statement and in the Portfolio Manager's Review. These risks are somewhat mitigated by the Company's investment trust structure which means no forced sales will need to take place to deal with any redemptions. Therefore, investments can be held over a longer time horizon. Risks to which the Company is exposed in the market risk category are included in Note 16 to the Financial Statements below together with summaries of the policies for managing these risks.
Performance Risk	The achievement of the Company's investment performance objective relative to the market requires the taking of risk, such as strategy, asset allocation and stock selection, and may lead to NAV and share price underperformance compared to the Reference Index. The Portfolio Manager is responsible for actively monitoring the portfolio selected in accordance with the asset allocation parameters and seeks to ensure that individual stocks meet an acceptable risk/reward profile. The emphasis is on long term results such that the Company is more exposed to volatility in the shorter term.
Pandemic Risk	With the pandemic continuing to evolve and variants of COVID-19 appearing, it is evident that although COVID-19 is being tackled by the arrival of vaccines, risks remain. The roll-out of vaccines globally is also slow and the effectiveness against the variants is uncertain. There continues to be increased focus from financial services regulators around the world on the contingency plans of regulated financial firms. The Manager carries on reviewing its business continuity plans and operational resilience strategies on an ongoing basis and 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. For example, to enhance its resilience, the Manager has mandated that all staff work from home and has implemented split team working for those whose work is deemed necessary to be carried out in an office. The Manager follows the self-isolation and lock-down arrangements on staff in line with Government recommendations and guidance. PricewaterhouseCoopers LLP has also confirmed in the AAF Internal Controls report issued to Fidelity that there have not been any significant changes to Fidelity's control environment as a result of COVID-19. Investment team key activities, including portfolio managers, analysts and trading/support functions, are performing well despite the operational challenges posed by working from home or split team arrangements. The Company's other third party service providers have also confirmed the implementation of similar measures to ensure no business disruption.
Economic, Geopolitical and Natural Disaster Risks	Political change can impact the Company's assets, such as US/China tensions, North Korean aggression and strife in the Middle East. The Board is provided with a detailed investment review which covers material economic, market and legislative changes at each Board meeting. The review also covers risks relating to global trade tensions, interest rate volatility and political unrest. Japan is extremely vulnerable to earthquakes and tsunamis. Depending on the magnitude of such events, positions in the portfolio may be affected. The Manager could also be impacted from an operational perspective if the epicentre is in or near Tokyo.
Discount Control Risk	The price of the Company's shares and its discount to NAV are factors which are not within the Board's total control. However, it can have a modest influence in the market by maintaining the profile of the Company through a marketing campaign and, under certain circumstances, through repurchasing shares. The Board continues to adopt a formal discount control policy whereby it will seek to maintain the discount in single digits in normal market conditions. The Company's share price, NAV and discount volatility are monitored daily by the Manager and considered by the Board regularly. The Board continues to adopt an active discount management policy.
Cybercrime Risk	The operational risk from cybercrime is significant. Cybercrime threats evolve rapidly and consequently the risk is regularly re-assessed and the Board receives regular updates from the Manager in respect of the type and possible scale of cyberattacks. The Manager's technology team has developed a number of initiatives and controls in order to provide enhanced mitigating protection to this ever increasing threat. The risk is frequently re-assessed by Fidelity's information security and technology teams and has resulted in the implementation of new tools and processes as well as improvements to existing ones. Fidelity has also established a dedicated cybersecurity team which provides regular awareness updates and best practice guidance. Risks are increased due to the COVID-19 crisis, primarily related to phishing, remote access threats, extortion and denial-of-services attacks. The Manager has a dedicated detect and respond resource to specifically monitor cyber threats associated with COVID-19.
Economic, Social and Governance	There is a risk that the value of the Company's assets are negatively impacted by ESG related risks, including climate control. Fidelity has embedded ESG factors in its investment decision making process. ESG integration is carried out at the fundamental research analyst level within its investment teams, primarily through Fidelity's Proprietary Sustainability Rating which is designed to generate forward-looking and holistic assessment of a company's ESG risks and

("ESG") Risk	opportunities based on sector-specific key performance indicators across 99 individual and unique sub-sectors. The Portfolio Manager is also active in analysing the effects of ESG when making investment decisions. Further detail on ESG considerations in the investment process is in the Annual Report.
Key Person Risk	There is a risk that the Manager has an inadequate succession plan for key individuals, particularly with stock selection expertise in Japanese markets. The loss of the Portfolio Manager or key individuals could lead to potential performance, operational or regulatory issues. The Manager identifies key dependencies which are then addressed through succession plans. Fidelity has succession plans in place for portfolio managers and these are discussed regularly with the Board. As explained in the Chairman's Statement, the Board and Fidelity have appointed an Assistant Portfolio Manager who has extensive experience in the Japanese market and shares a common investment approach and complementary investment experience with the Portfolio Manager. This should help strengthen the investment process by introducing greater challenge and also increases the ability to meet more companies.
Gearing Risk	The Company has the option to make use of loan facilities or to use CFDs to invest in equities. The principal risk is that the Portfolio Manager may fail to use gearing effectively. In a rising market the Company will benefit from gearing, whilst in a falling market the impact would be detrimental. Other risks are that the cost of gearing may be too high or that the term of the gearing is inappropriate in relation to market conditions. The Company currently has no bank loans and gears through the use of long CFDs which provide greater flexibility and are significantly cheaper than bank loans. The Board regularly considers the level of gearing and gearing risk and sets limits within which the Portfolio Manager must operate.
Currency Risk	Most of the Company's assets and income are denominated in yen. However, the functional currency of the Company in which it reports its results is sterling. Consequently, it is subject to currency risk on exchange rate movements between the yen and sterling. It is the Company's policy not to hedge against currency risks. Further details can be found in Note 16 to the Financial Statements below.

Other risks facing the Company include:

TAX AND REGULATORY RISKS

There is a risk of the Company not complying with tax and regulatory requirements. A breach of Section 1158 of the Corporation Tax Act 2010 could lead to a loss of investment trust status resulting in the Company being subject to tax on capital gains.

The Board monitors tax and regulatory changes at each Board meeting and through active engagement with regulators and trade bodies by the Manager.

OPERATIONAL RISKS

The Company relies on a number of third party service providers, principally the Manager, Registrar, Custodian and Depositary. It is dependent on the effective operation of the Manager's control systems and those of its service providers with regard to the security of the Company's assets, dealing procedures, accounting records and the compliance with regulatory and legal requirements. The Registrar, Custodian and Depositary are all subject to a risk-based programme of internal audits by the Manager. In addition, service providers' own internal controls reports are received by the Board on an annual basis and any concerns are investigated. Risks associated with these services are generally rated as low, but the financial consequences could be serious, including reputational damage to the Company.

CONTINUATION VOTE

A continuation vote takes place every three years. There is a risk that shareholders do not vote in favour of continuation of the Company during periods when performance of the Company's NAV and share price is poor. At the Company's AGM held on 21 May 2019, 99.88% of shareholders voted in favour of the continuation of the Company. The next continuation vote will take place at the AGM in 2022.

VIABILITY STATEMENT

In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the 12 month period required by the "Going Concern" basis. The Company is an investment trust with the objective of achieving long term capital growth. The Board considers that five years is an appropriate investment horizon to assess the viability of the Company, although the life of the Company is not intended to be limited to this or any other period.

In making an assessment on the viability of the Company, the Board has considered the following:

- The ongoing relevance of the investment objective in prevailing market conditions;
- The Company's NAV and share price performance;
- The principal and emerging risks and uncertainties facing the Company, as set out above, and their potential impact;
- The future demand for the Company's shares;
- The Company's share price discount to NAV;
- The liquidity of the Company's portfolio;
- The level of income generated by the Company; and
- Future income and expenditure forecasts.

The Company's performance has been very strong for the five year reporting period to 31 December 2020, with a NAV total return of 132.9% and a share price total return of 154.2% compared to a Reference Index total return of 65.1%. The Board regularly reviews the investment policy and considers whether it remains appropriate. The Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years based on the following considerations:

- The Investment Manager's compliance with the Company's investment objective and policy, its investment strategy and asset allocation;
- The portfolio mainly comprises readily realisable securities which can be sold to meet funding requirements if necessary;
- The Board's discount management policy;

- The ongoing processes for monitoring operating costs and income which are considered to be reasonable in comparison to the Company's total assets; and

- The Board's assessment of the risks arising from COVID-19 as set out in the Principal Risks above.

In addition, the Directors' assessment of the Company's ability to operate in the foreseeable future is included in the Going Concern Statement below.

PROMOTING THE SUCCESS OF THE COMPANY

Under Section 172(1) of the Companies Act 2006, the Directors of a company must act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the likely consequences of any decision in the long term; the need to foster relationships with the Company's suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the company.

As an externally managed Investment Trust the Company has no employees or physical assets, and a number of the Company's functions are outsourced to third parties. The key outsourced function is the provision of investment management services to the Manager, but other professional service providers support the Company by providing administration, custodial, banking and audit services. The Board considers the Company's key stakeholders to be the existing and potential shareholders, the external appointed Manager (Fidelity), and other third party professional service providers. The Board considers that the interest of these stakeholders is aligned with the Company's objective of delivering long term capital growth to investors, in line with the Company's stated investment objective and strategy, while providing the highest standards of legal, regulatory and commercial conduct.

The Board, with the Portfolio Manager, sets the overall investment strategy and reviews this at an annual strategy day which is separate from the regular cycle of board meetings. In order to ensure good governance of the Company, the Board has set various limits on the investments in the portfolio, whether in the maximum size of individual holdings, the use of derivatives, the level of gearing and others. These limits and guidelines are regularly monitored and reviewed and are set out in the Annual Report.

The Board places great importance on communication with shareholders. The Annual General Meeting provides the key forum for the Board and Manager to present to the shareholders on the Company's performance and future plans and, in normal circumstances, the Board encourages all shareholders to attend, and raise questions and concerns. The Chairman and other Board members are available to meet shareholders as appropriate, and shareholders may also communicate with Board members at any time by writing to them at the Company's registered office or via the Company Secretary at the address provided in the Annual Report or by email at **investmenttrusts@fil.com**. The Portfolio Manager meets with major shareholders, potential investors, stock market analysts, journalists and other commentators during the year. These communication opportunities help inform the Board in considering how best to promote the success of the company over the long term.

The Board seeks to engage with the Manager and other service providers and advisers in a constructive and collaborative way, promoting a culture of strong governance, while encouraging open and constructive debate, in order to ensure appropriate and regular challenge and evaluation. This aims to enhance service levels and strengthen relationships with service providers, with a view to ensuring shareholders' interests are best served, by maintaining the highest standards of commercial conduct while keeping cost levels competitive.

Whilst the Company's direct operations are limited, the Board recognises the importance of considering the impact of the Company's investment strategy on the wider community and environment. The Board believes that a proper consideration of Environmental, Social and Governance ("ESG") issues aligns with the objective to deliver long term capital growth, and the Board's review of the Manager includes an assessment of their ESG approach, which is set out on in the Annual Report.

In addition to ensuring that the Company's investment objective was being pursued, key decisions and actions taken by the Directors during the reporting year, and up to the date of this report, have included:

— the decision to charge 80% of base management fees and finance costs to capital and 20% to revenue, reflecting the Company's focus on capital growth to generate returns;

— authorising the repurchase of 2,652,164 ordinary shares into Treasury when market conditions permitted in order to keep the Company's discount in single digits;

— the decision to revise and accelerate the Board's succession plans in response to the 21% votes received against the re-election of Philip Kay. The Board discussed the matter internally and sought views from major shareholders. Philip Kay stepped down from the Board on 31 December 2020; and

— as part of the Board's succession plans, the appointment and induction of David Barron to the Board took effect from 20 October 2020.

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 (being mainly securities which are readily realisable) and its expenditure and cash flow projections and have concluded that the Company has adequate resources to continue to adopt the going concern basis for at least 12 months from the date of approving these Financial Statements. This conclusion also takes into account the Board's assessment of the risks arising from COVID-19 as set out in the Pandemic Risk statement above. The prospects of the Company over a period longer than 12 months can be found in the Viability Statement above.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the Financial Statements in accordance with UK Generally Accepted Accounting Practice, including FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 reporting 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 Strategic Report, a Directors' Report, a Corporate Governance Statement and a Directors' Remuneration Report that comply with that law and those regulations.

The Directors have delegated to the Manager the responsibility for the maintenance and integrity of the corporate and financial information included on the Company's pages of the Manager's website at **www.fidelity.co.uk/japan**. Visitors to the website need to be aware that legislation in the UK governing the preparation and dissemination of the Financial Statements may differ from legislation in their own jurisdictions.

The Directors confirm that to the best of their knowledge:

- The Financial Statements, prepared in accordance with FRS 102, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- The Annual 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.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approved by the Board on 26 March 2021 and signed on its behalf by:

DAVID ROBINS
Chairman

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

		Year ended 31 December 2020			Year ended 31 December 2019		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Gains on investments	9	–	38,535	38,535	–	52,982	52,982
Gains on derivative instruments	10	–	22,360	22,360	–	14,155	14,155
Income	3	3,287	–	3,287	2,906	–	2,906
Investment management fees	4	(358)	(1,677)	(2,035)	(1,555)	329	(1,226)
Other expenses	5	(597)	(8)	(605)	(600)	–	(600)
Foreign exchange (losses)/gains		–	(475)	(475)	–	16	16
Net return on ordinary activities before finance costs and taxation		2,332	58,735	61,067	751	67,482	68,233
Finance costs	6	(26)	(104)	(130)	(93)	–	(93)
Net return on ordinary activities before taxation		2,306	58,631	60,937	658	67,482	68,140
Taxation on return on ordinary activities	7	(252)	–	(252)	(261)	–	(261)
Net return on ordinary activities after taxation for the year		2,054	58,631	60,685	397	67,482	67,879
Return per ordinary share	8	1.56p	44.53p	46.09p	0.29p	50.23p	50.52p
		========	========	========	========	========	========

The Company does not have any other comprehensive income. Accordingly the net return on ordinary activities after taxation for the year is also the total comprehensive income for the year 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 year and all items in the above statement derive from continuing operations.

The Notes below form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total shareholders' funds £'000
Total shareholders' funds at 31 December 2019		34,041	20,722	2,767	52,815	156,520	(14,374)	252,491
Repurchase of ordinary shares	13	–	–	–	(4,370)	–	–	(4,370)
Net return on ordinary activities after taxation for the year		–	–	–	–	58,631	2,054	60,685
		--------------	--------------	--------------	--------------	--------------	--------------	--------------
Total shareholders' funds at 31 December 2020		34,041	20,722	2,767	48,445	215,151	(12,320)	308,806
		========	========	========	========	========	========	========
Total shareholders' funds at 31 December 2018		34,041	20,722	2,767	55,733	89,038	(14,771)	187,530
Repurchase of ordinary shares	13	–	–	–	(2,918)	–	–	(2,918)
Net return on ordinary activities after taxation for the year		–	–	–	–	67,482	397	67,879
		--------------	--------------	--------------	--------------	--------------	--------------	--------------
Total shareholders' funds at 31 December 2019		34,041	20,722	2,767	52,815	156,520	(14,374)	252,491
		========	========	========	========	========	========	========

The Notes below form an integral part of these Financial Statements.

BALANCE SHEET AS AT 31 DECEMBER 2020 COMPANY NUMBER 2885584

	Notes	2020 £'000	2019 £'000
Fixed assets			
Investments	9	303,002	249,099
Current assets			
Derivative instruments	10	1,932	3,048
Debtors	11	668	899
Cash collateral held with brokers	16	21	–
Cash at bank		4,336	1,196
		6,957	5,143
Current liabilities			
Derivative instruments	10	(91)	(1,075)

Other creditors	12	(1,062)	(676)
		(1,153)	(1,751)
Net current assets		5,804	3,392
Net assets		308,806	252,491
Capital and reserves			
Share capital	13	34,041	34,041
Share premium account	14	20,722	20,722
Capital redemption reserve	14	2,767	2,767
Other reserve	14	48,445	52,815
Capital reserve	14	215,151	156,520
Revenue reserve	14	(12,320)	(14,374)
		--------------	--------------
Total shareholders' funds		308,806	252,491
		========	========
Net asset value per ordinary share	15	236.53p	189.55p
		========	========

The Financial Statements above and below were approved by the Board of Directors on 26 March 2021 and were signed on its behalf by:

DAVID ROBINS
Chairman

The Notes below form an integral part of these Financial Statements.

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 ACCOUNTING POLICIES
The Company has prepared its Financial Statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", issued by the Financial Reporting Council ("FRC"). The Financial Statements have also been 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 October 2019. The Company is exempt from presenting a Cash Flow Statement as a Statement of Changes in Equity is presented and substantially all of the Company's investments are highly liquid and are carried at market value.

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 investments and derivative instruments. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of these Financial Statements. In making their assessment the Directors have reviewed income and expense projections, reviewed the liquidity of the investment portfolio and considered the Company's ability to meet liabilities as they fall due. This conclusion also takes into account the Director's assessment of the continuing risks arising from COVID-19.

The Company's Going Concern Statement above takes account of all events and conditions up to the date of approval of these Financial Statements.

b) Significant accounting estimates and judgements
The Directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The judgements required in order to determine the appropriate valuation methodology of level 3 financial instruments have a risk of causing an adjustment to the carrying amounts of assets. These judgements include making assessments of the possible valuations in the event of a listing or other marketability related risks.

c) Segmental reporting
The Company is engaged in a single segment business and, therefore, no segmental reporting is provided.

d) Presentation of the Income Statement
In order to reflect better the activities of an investment company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been prepared alongside the Income Statement. The net revenue return after taxation for the year is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1159 of the Corporation Tax Act 2010.

e) Income
Income from equity investments is accounted for on the date on which the right to receive the payment is established, normally the ex-dividend date. Overseas dividends are accounted for gross of any tax deducted at source. Amounts are credited to the revenue column of the Income Statement. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend foregone is recognised in the revenue column of the Income Statement. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital column of the Income Statement. Special dividends are treated as a revenue receipt or a capital receipt depending on the facts and circumstances of each particular case.

Derivative instrument income received from dividends on long contracts for difference ("CFDs") is accounted for on the date on which the right to receive the payment is established, normally the ex-dividend date. The amount net of tax is credited to the revenue column of the Income Statement.

f) Investment management fees and other expenses
Investment management fees and other expenses are accounted for on an accruals basis and are charged as follows:

- With effect from 1 January 2020, the base investment management fee is allocated 20% to revenue and 80% to capital to reflect the Company's focus on capital growth to generate returns. Prior to 1 January 2020, the base investment management fee was allocated in full to revenue;

- The variable investment management fee is charged/credited to capital, as it is based on the performance of the net asset value per share relative to the Reference Index; and

- All other expenses are allocated in full to revenue with the exception of those directly attributable to share issues or other capital events.

g) Functional currency and foreign exchange
The functional and reporting currency of the Company is UK sterling, which is the currency of the primary economic environment in which the Company operates. Transactions denominated in foreign currencies are reported in UK sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the Balance Sheet date. Foreign exchange gains and losses arising on translation are recognised in the Income Statement as a revenue or a capital item depending on the nature of the underlying item to which they relate.

h) Finance costs
Finance costs comprise interest on collateral, bank overdrafts and interest paid on long CFDs, which are accounted for on an accruals basis. With effect from 1 January 2020, finance costs are allocated 20% to revenue and 80% to capital to reflect the Company's focus on capital growth to generate returns. Prior to 1 January 2020, finance costs were charged in full to revenue.

i) Taxation
The taxation charge represents the sum of current taxation and deferred taxation.

Current taxation is taxation suffered at source on overseas income less amounts recoverable under taxation treaties. Taxation is charged or credited to the revenue column of the Income Statement, except where it relates to items of a capital nature, in which case it is charged or credited to the capital column of the Income Statement. The Company is an approved Investment Trust under Section 1158 of the Corporation Tax Act 2010 and is not liable for UK taxation on capital gains.

Deferred taxation is the taxation expected to be payable or recoverable on timing differences between the treatment of certain items for accounting purposes and their treatment for the purposes of computing taxable profits. Deferred taxation is based on tax rates that have been enacted or substantively enacted when the taxation is expected to be payable or recoverable. Deferred tax assets are only recognised if it is considered more likely than not that there will be sufficient future taxable profits to utilise them.

j) Investments
The Company's business is investing in financial instruments with a view to profiting from their total return in the form of income and capital growth. This portfolio of investments is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided on that basis to the Company's Board of Directors. Investments are measured at fair value with changes in fair value recognised in profit or loss, in accordance with the provisions

of both Section 11 and Section 12 of FRS 102. The fair value of investments is initially taken to be their cost and is subsequently measured as follows:

- Listed investments are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed; and

- Unlisted investments are not quoted, or are not frequently traded, and are stated at the Directors best estimate of fair value. The Manager's Fair Value Committee ('FVC'), which is independent of the Portfolio Manager's team, meets quarterly to determine the fair value of unlisted investments. They review the input received from the Fidelity analyst that covers the company and valuation reports from a third party specialist. The FVC provide a recommendation of fair values to the Directors based on recognised valuation techniques that take account of the cost of the investment, recent arm's length transactions in the same or similar investments and financial performance of the investment since purchase.

In accordance with the AIC SORP, the Company includes transaction costs, incidental to the purchase or sale of investments, within gains on investments in the capital column of the Income Statement and has disclosed these costs in Note 9 below.

k) Derivative instruments
When appropriate, permitted transactions in derivative instruments are used. Some of the Company's portfolio exposure to Japanese equities is achieved by investment in long CFDs. Long CFDs are classified as other financial instruments and are initially accounted and measured at fair value on the date the derivative contract is entered into and subsequently measured at fair value as follows:

- Long CFDs are valued at the difference between the strike price and the value of the underlying shares in the contract.

l) Debtors
Debtors include securities sold for future settlement, accrued income, other debtors and prepayments incurred in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer) they are classified as current assets. If not, they are presented as non-current assets. They are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

m) Cash collateral held with brokers
These are amounts held in segregated accounts on behalf of brokers as collateral against open derivative contracts. These are carried at amortised cost.

n) Other creditors
Other creditors include securities purchased for future settlement, investment management fees and other creditors and expenses accrued in the ordinary course of business. If payment is due within one year or less (or in the normal operating cycle of the business, if longer) they are classified as current liabilities. If not, they are presented as non-current liabilities. They are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

o) Other reserve
The full cost of ordinary shares repurchased and held in Treasury is charged to the other reserve.

p) Capital reserve
The following are accounted for in the capital reserve:

- Gains and losses on the disposal of investments and derivative instruments;

- Changes in the fair value of investments and derivative instruments held at the year end;
- Foreign exchange gains and losses of a capital nature;
- Dividends receivable which are capital in nature;
- With effect from 1st January 2020, 80% of base investment management fees and finance costs;
- Variable investment management fees; and
- Other expenses which are capital in nature.

As a result of technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/17BL, the determination of realised profits and losses in the context of distributions under the Companies Act 2006, states that changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms at the Balance Sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as capital reserve in the Statement of Changes in Equity and the Balance Sheet. At the Balance Sheet date, the portfolio of the Company consisted of investments listed on a recognised stock exchange and were considered to be readily convertible to cash, with the exception of the level 3 investments which had unrealised investment holding losses of £54,000 (2019: unrealised foreign exchange losses of £180,000). See Note 16 below for further details on the level 3 investments.

3 INCOME

	Year ended 31.12.20 £'000	Year ended 31.12.19 £'000
Investment income		
Overseas dividends	2,523	2,607
Derivative income		
Dividends received on long CFDs	764	299
	------------	------------
Total income	3,287	2,906
	========	========

No special dividends have been recognised in capital during the reporting year (2019: nil).

4 INVESTMENT MANAGEMENT FEES

	Year ended 31 December 2020			Year ended 31 December 2019		
	Revenue[1] £'000	Capital[1] £'000	Total £'000	Revenue[1] £'000	Capital[1] £'000	Total £'000
Investment management fees – base	358	1,429	1,787	1,555	–	1,555
Investment management fees – variable[2]	–	248	248	–	(329)	(329)
	------------	------------	------------	------------	------------	------------
	358	1,677	2,035	1,555	(329)	1,226
	=======	=======	=======	=======	=======	=======

1 As disclosed in Note 2, base investment management fees for the year ended 31 December 2020 were charged 20% to revenue and 80% to capital. For the year ended 31 December 2019, base investment management fees were charged 100% to revenue.
2 For the calculation of the variable management fee element, the Company's NAV return was compared to the Reference Index return for the period from 1 July 2018 to the relevant reporting dates. The NAV has outperformed the Reference Index and therefore there is a charge to the Company for the current year. In the prior year the NAV underperformed the Reference Index and therefore there was a credit to the Company of £329,000.

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

FII 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.

Further details of the terms of the Management Agreement are given in the Directors' Report in the Annual Report.

5 OTHER EXPENSES

	Year ended 31.12.20 £'000	Year ended 31.12.19 £'000
Allocated to revenue:		
AIC fees	15	17
Secretarial and administration fees payable to the Investment Manager	50	50
Custody fees	23	22
Depositary fees	25	21
Directors' expenses	30	42
Directors' fees[1]	160	158
Legal and professional fees	67	61
Marketing expenses	97	101

Printing and publication expenses	55	64
Registrars' fees	25	21
Other expenses	16	14
Fees payable to the Company's Independent Auditor for the audit of the Financial Statements	34	29
	------------	------------
	597	600
	=======	=======
Allocated to capital:		
Legal and professional fees - unlisted investments	8	–
	------------	------------
Other expenses	605	600
	=======	=======

1 Details of the breakdown of Directors' fees are provided in the Directors' Remuneration Report in the Annual Report.

6 FINANCE COSTS

	Year ended 31 December 2020			Year ended 31 December 2019		
	Revenue[1]	Capital[1]	Total	Revenue[1]	Capital[1]	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest paid on long CFDs	20	79	99	86	–	86
Interest paid on collateral and bank overdrafts	6	25	31	7	–	7
	------------	------------	------------	------------	------------	------------
	26	104	130	93	–	93
	=======	=======	=======	=======	=======	=======

1 As disclosed in Note 2, finance costs for the year ended 31 December 2020 were charged 20% to revenue and 80% to capital. For the year ended 31 December 2019, finance costs were charged 100% to revenue.

7 TAXATION ON RETURN ON ORDINARY ACTIVITIES

	Year ended 31.12.20 £'000	Year ended 31.12.19 £'000
a) Analysis of the taxation charge for the year		
Overseas taxation	252	261
	------------	------------
Taxation charge for the year (see Note 7b)	252	261

b) Factors affecting the taxation charge for the year

The taxation charge for the year is lower than the standard rate of UK corporation tax for an investment trust company of 19.00% (2019: 19.00%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	Year ended 31.12.20 £'000	Year ended 31.12.19 £'000
Net return on ordinary activities before taxation	60,937	68,140
Net return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 19.00% (2019: 19.00%)	11,578	12,947
Effects of:		
Capital gains not taxable[1]	(11,480)	(12,759)
Income not taxable	(479)	(495)
Expenses not deductible	19	1
Excess management expenses not utilised	362	306
Overseas taxation	252	261
	------------	------------
Taxation charge for the year (see Note 7a)	252	261
	=======	=======

1 The Company is exempt from UK taxation on capital gains as it meets the HM Revenue & Customs criteria for an investment company set out in Section 1159 of the Corporation Tax Act 2010.

c) Deferred taxation

A deferred taxation asset of £5,613,000 (2019: £4,698,000), in respect of excess expenses of £29,543,000 (2019: £27,638,000) has not been recognised as it is unlikely that there will be sufficient future profits to utilise these expenses.

8 RETURN PER ORDINARY SHARE

	Year ended 31.12.20	Year ended 31.12.19
Revenue return per ordinary share	1.56p	0.29p

Capital return per ordinary share	44.53p	50.23p
Total return per ordinary share	46.09p	50.52p

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

	£'000	£'000
Net revenue return on ordinary activities after taxation	2,054	397
Net capital return on ordinary activities after taxation	58,631	67,482
Net total return on ordinary activities after taxation	60,685	67,879

	Number	Number
Weighted average number of ordinary shares held outside Treasury	131,658,973	134,354,398

9 INVESTMENTS

	2020 £'000	2019 £'000
Listed investments	297,505	245,423
Unlisted investments	5,497	3,676
Investments at fair value	303,002	249,099
Opening book cost	192,261	171,050
Opening investment holding gains	56,838	14,937
Opening fair value	249,099	185,987
Movements in the year		
Purchases at cost	171,488	134,440
Sales - proceeds	(156,120)	(124,310)
Gains on investments	38,535	52,982
Closing fair value	303,002	249,099
Closing book cost	226,195	192,261
Closing investment holding gains	76,807	56,838
Closing fair value	303,002	249,099

The Company received £156,120,000 (2019: £124,310,000) from investments sold in the year. The book cost of these investments when they were purchased was £137,554,000 (2019: £113,229,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Investment transaction costs
Transaction cost incurred in the acquisition and disposal of investments, which are included in the gains on investments above, were as follows:

	Year ended 31.12.20 £'000	Year ended 31.12.19 £'000
Purchases transaction costs	72	52
Sales transaction costs	60	55
	132	107

The portfolio turnover for the year was 66.9% (2019: 68.7%). The portfolio turnover rate measures the Company's trading activity. It is calculated by taking the average of the total amount of securities purchased and the total amount of the securities sold in the reporting year divided by the average fair value of the investment portfolio of the Company.

10 DERIVATIVE INSTRUMENTS

	Year ended 31.12.20 £'000	Year ended 31.12.19 £'000
Gains on derivative instruments		
Gains on long CFD positions closed	22,492	5,922
Movement in investment holding (losses)/gains on long CFDs	(132)	8,233
	22,360	14,155

Derivative instruments recognised on the Balance Sheet

	2020		2019	
	Fair value £'000	Portfolio exposure £'000	Fair value £'000	Portfolio exposure £'000
Derivative instrument assets – long CFDs	1,932	71,273	3,048	39,975
Derivative instrument liabilities – long CFDs	(91)	7,013	(1,075)	6,286
	1,841	78,286	1,973	46,261

11 DEBTORS

	2020 £'000	2019 £'000
Securities sold for future settlement	404	621
Accrued income	166	205
Other debtors and prepayments	98	73
	668	899

12 OTHER CREDITORS

	2020 £'000	2019 £'000
Securities purchased for future settlement	689	385
Creditors and accruals	373	291
	1,062	676

13 SHARE CAPITAL

	2020		2019	
	Number of shares	£'000	Number of shares	£'000
Issued, allotted and fully paid				
Ordinary shares of 25 pence each held outside Treasury				
Beginning of the year	133,207,090	33,302	135,136,195	33,784
Ordinary shares repurchased into Treasury	(2,652,164)	(663)	(1,929,105)	(482)
End of the year	130,554,926	32,639	133,207,090	33,302
Issued, allotted and fully paid				
Ordinary shares of 25 pence each held in Treasury*				
Beginning of the year	2,954,605	739	1,025,500	257
Ordinary shares repurchased into Treasury	2,652,164	663	1,929,105	482
End of the year	5,606,769	1,402	2,954,605	739
Total share capital		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 Company repurchased 2,652,164 ordinary shares (2019: 1,929,105 shares) and held them in Treasury. The £4,370,000 (2019: £2,918,000) cost of repurchase was charged to the other reserve.

14 CAPITAL AND RESERVES

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total shareholders' funds £'000
At 1 January 2020	34,041	20,722	2,767	52,815	156,520	(14,374)	252,491
Gains on investments (see Note 9)	–	–	–	–	38,535	–	38,535
Gains on derivative instruments (see Note 10)	–	–	–	–	22,360	–	22,360
Foreign exchange losses	–	–	–	–	(475)	–	(475)
Investment management fees (see Note 4)	–	–	–	–	(1,677)	–	(1,677)
Other expenses (see Note 5)	–	–	–	–	(8)	–	(8)
Finance costs (see Note 6)	–	–	–	–	(104)	–	(104)
Revenue return on ordinary activities after taxation for the year	–	–	–	–	–	2,054	2,054
Repurchase of ordinary shares (see Note 13)	–	–	–	(4,370)	–	–	(4,370)
	--------------	--------------	--------------	--------------	--------------	--------------	--------------
At 31 December 2020	34,041	20,722	2,767	48,445	215,151	(12,320)	308,806
	========	========	========	========	========	========	========

The capital reserve balance at 31 December 2020 includes investment holding gains on investments of £76,807,000 (2019: gains of £56,838,000) as detailed in Note 9 above. See Note 2 (p) above for further details. The capital reserve is distributable by way of dividend. The revenue reserve could be distributed by way of dividend if it were not in deficit.

15 NET ASSET VALUE PER ORDINARY SHARE

	2020	2019
Total shareholders' funds	308,806,000	252,491,000
Ordinary shares held outside of Treasury at year end	130,554,926	133,207,090
Net asset value per ordinary share	236.53p	189.55p
	------------	------------

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.

16 FINANCIAL INSTRUMENTS

MANAGEMENT OF RISK

The Company's investment activities in pursuit of its objective involve certain inherent risks. The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the internal control process, identifies the risks that the Company faces. Principal risks identified are market, performance, economic, geopolitical and natural disasters, economic, social and governance (ESG), key person, discount control, gearing, currency, cybercrime and pandemic risks. Other risks identified are tax and regulatory and operational risks, including those relating to third party service providers covering investment management, marketing and business development, company secretarial, fund administration and operations and support functions. Risks are identified and graded in this process, together with steps taken in mitigation, and are updated and reviewed on an ongoing basis. These risks and how they are identified, evaluated and managed are shown in the Strategic Report above.

This note refers to the identification, measurement and management of risks potentially affecting the value of financial instruments. The Company's financial instruments may comprise:

- Equity shares held in accordance with the Company's investment objective and policies;
- Derivative instruments which comprise CFDs; and
- Cash, liquid resources and short term debtors and creditors that arise from its operations.

The risks identified arising from the Company's financial instruments are market price risk (which comprises interest rate risk, foreign currency risk and other price risk), liquidity risk, counterparty risk, credit risk and derivative instrument risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies are consistent with those followed last year.

MARKET PRICE RISK

Interest rate risk

The Company finances its operations through its share capital and reserves. In addition, the Company has a geared exposure to Japanese equities through the use of long CFDs. The level of gearing is reviewed by the Board and the Portfolio Manager. The Company is exposed to a financial risk arising as a result of any increases in yen interest rates associated with the funding of the long CFDs.

Interest rate risk exposure

The values of the Company's financial instruments that are exposed to movements in interest rates are shown below:

	2020 £'000	2019 £'000
Exposure to financial instruments that bear interest		
Long CFDs – Portfolio exposure less fair value	76,445	44,288
Exposure to financial instruments that earn interest		
Cash collateral held with brokers	21	–

Cash at bank	4,336	1,196
	4,357	1,196
	------------	------------
Net exposure to financial instruments that bear interest	72,088	43,092
	========	========

Foreign currency risk
The Company's net return on ordinary activities after taxation for the year and its net assets may be affected by foreign exchange movements because the Company has income and assets which are denominated in yen whereas the Company's functional currency is UK sterling. The Company may also be subject to short term exposure from exchange rate movements, for example, between the date when an investment is purchased or sold and the date when settlement of the transaction occurs. The Company does not hedge the sterling value of investments or other net assets priced in yen by the use of derivative instruments.

Three significant areas have been identified where foreign currency risk may impact the Company:

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

Currency exposure of financial assets
The currency exposure profile of the Company's financial assets is shown below:

					2020
Currency	Investments held at fair value £'000	Long exposure to derivative instruments £'000	Debtors[1] £'000	Cash at bank £'000	Total £'000
Japanese yen	303,002	78,286	591	4,336	386,215
	========	========	========	========	========

1 Debtors include cash collateral held with brokers and excludes other debtors and prepayments of £98,000 which are denominated in UK sterling.

					2019
Currency	Investments held at fair value £'000	Long exposure to derivative instruments £'000	Debtors[1] £'000	Cash at bank £'000	Total £'000
Japanese yen	249,099	46,261	826	1,196	297,382
	========	========	========	========	========

1 Excludes other debtors and prepayments of £73,000 which are denominated in UK sterling.

Currency exposure of financial liabilities
The currency profile of these financial liabilities is shown below:

		2020
Currency	Other creditors £'000	Total £'000
Japanese yen	689	689
	========	========

		2019
Currency	Other creditors £'000	Total £'000
Japanese yen	385	385
	========	========

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. The Board meets at least 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 Portfolio Manager is responsible for actively managing and 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.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. The Company's assets mainly comprise readily realisable securities and derivative instruments which can be sold easily to meet funding commitments if necessary. Short term flexibility, if required, is achieved by the use of a bank overdraft.

Liquidity risk exposure
At 31 December 2020, the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £91,000 (2019: £1,075,000) and other creditors of £1,062,000 (2019: £676,000).

Counterparty risk
The long CFDs in which the Company invests are not traded on an exchange but instead are traded between counterparties based on contractual relationships, under the terms outlined in the International Swaps and Derivatives Association's ("ISDA") market standard derivative legal documentation. As a result, the Company is subject to the risk that a counterparty may not perform its obligations under the related contract. In accordance with the risk management process which the Manager employs, the Manager will seek to minimise such risk by only entering into transactions with counterparties which it believes to have an adequate credit rating at the time the transaction is entered into, by ensuring that formal legal agreements covering the terms of the contract are entered into in advance, and through adopting a counterparty risk framework which measures, monitors and manages counterparty risk, by the use of internal and external credit agency ratings and by evaluating derivative instrument credit risk exposure.

Cash collateral
For derivative transactions, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 December 2020, £1,082,000 (2019: £1,578,000) was held by UBS AG in cash denominated in Japanese yen in a segregated collateral account on behalf of the Company, to reduce the credit risk exposure of the Company's net unrealised profits on derivative positions. £21,000 (2019: £nil), shown as cash collateral held with brokers on the Balance Sheet, was held by the Company in a segregated collateral account on behalf of the brokers, to reduce the credit risk exposure of the Company's net unrealised losses on derivative positions. This collateral comprised of: J.P. Morgan Securities plc £21,000 (2019: £nil) in cash denominated in Japanese yen.

Credit risk
Financial instruments may be adversely affected if any of the institutions with which money is deposited suffer insolvency or other financial difficulties. All transactions are carried out with brokers that have been approved by the Manager and are settled on a delivery versus payment basis. Limits are set on the amount that may be due from any one broker and are kept under review by the Manager. Exposure to credit risk arises on unsettled security transactions, long CFD contracts and cash at bank.

Derivative instrument risk
The risks and risk management processes which result from the use of long CFDs are included within the risk categories disclosed above. Long CFDs are used by the Manager to gain unfunded long exposure to equity markets, sectors or single stocks. Unfunded exposure is exposure gained without an initial outflow of capital. The risk and performance contribution of long CFDs held in the Company's portfolio is overseen by the Manager's experienced, specialist derivative instruments team that uses portfolio risk assessment and construction tools to manage risk and investment performance.

RISK SENSITIVITY ANALYSIS
Interest rate risk sensitivity analysis
Based on the financial instruments held and interest rates at 31 December 2020, an increase of 0.25% in interest rates throughout the year, with all other variables held constant, would have decreased the return on ordinary activities after taxation for the year and decreased the net assets of the Company by £180,000 (2019: decreased the return and the net assets of the Company by £108,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis
Based on the financial instruments held and currency exchange rates at 31 December 2020, a 10% strengthening of the sterling exchange rate against the yen, with all other variables held constant, would have decreased the Company's net return on ordinary activities after taxation for the year and decreased the Company's net assets by £35,047,000 (2019: decreased the Company's net return and decreased the net assets by £26,999,000). A 10% weakening of the sterling exchange rate against the yen would have increased the Company's net return on ordinary activities after taxation for the year and increased the Company's net assets by £42,836,000 (2019: increased the net return and increased the net assets by £32,999,000).

Other price risk – exposure to investments sensitivity analysis
Based on the investments held and share prices at 31 December 2020, an increase of 10% in share prices, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £30,300,000 (2019: increased the Company's net return and increased the net assets by £24,910,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Other price risk – net exposure to derivative instruments sensitivity analysis
Based on the long CFDs held and share prices at 31 December 2020, an increase of 10% in the share prices underlying the long CFDs, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the net assets of the Company by £7,829,000 (2019: increased the Company's net return and increased the net assets by £4,626,000). A decrease of 10% in share prices would have had an equal and 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 Notes 2 (j) and (k) above, investments and derivative instruments are shown at fair value. In the case of cash and cash equivalents, book value approximates to fair value due to the short maturity of the instruments.

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

Classification	Input
Level 1	Valued using quoted prices in active markets for identical assets
Level 2	Valued by reference to 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
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 Notes 2 (j) and (k) above. The table below sets out the Company's fair value hierarchy:

Financial assets at fair value through profit or loss	Level 1 £'000	Level 2 £'000	Level 3 £'000	2020 Total £'000
Investments	297,505	–	5,497	303,002
Derivative instrument assets	–	1,932	–	1,932
	------------	------------	------------	------------
	297,505	1,932	5,497	304,934
	=======	=======	=======	=======
Financial liabilities at fair value through profit or loss				
	------------	------------	------------	------------
Derivative instrument liabilities	–	(91)	–	(91)
	=======	=======	=======	=======

Financial assets at fair value through profit or loss	Level 1 £'000	Level 2 £'000	Level 3 £'000	2019 Total £'000
Investments	245,423	–	3,676	249,099
Derivative instrument assets	–	3,048	–	3,048
	------------	------------	------------	------------
	245,423	3,048	3,676	252,147
	=======	=======	=======	=======
Financial liabilities at fair value through profit or loss				
	------------	------------	------------	------------
Derivative instrument liabilities	–	(1,075)	–	(1,075)
	=======	=======	=======	=======

The table below sets out the movements in level 3 financial instruments during the year:

	Year ended 31.12.20 level 3 £'000	Year ended 31.12.19 level 3 £'000
Beginning of the year	3,676	–
Purchases at cost	1,695	3,856
Movement in investment holding gains	226	–
Foreign exchange movement	(100)	(180)
	------------	------------
End of the year	5,497	3,676
	=======	=======

The level 3 investments held and the basis for their valuation at 31 December 2020 are as follows:

Coconala
Coconala operates a website to buy and sell knowledge, skills and experience from users who are teaching in Japan. The valuation at 31 December 2020 is based on analysis of the Company's financial performance, benchmarking the position to a range of comparable market data and the outlook for 2021 given the impact of COVID-19. As at 31 December 2020, its fair value was £3,164,000 (2019: £2,774,000). Since the end of the year, Coconala's valuation has been increased. See Note 19.

Innophys
Innophys develops elderly-care and welfare equipment designed to be used as an exoskeleton for physical support in Japan. The valuation at 31 December 2020 is based on the Company performance for 2020 and the outlook for 2021 given the impact of COVID-19. As at 31 December 2020, its fair value was £738,000 (2019: £902,000).

Moneytree
Moneytree develops personal asset management applications and provides household account book applications and expense payment applications in Japan. The valuation at 31 December 2020 is based on the cost of the investment when it was purchased in April 2020 with consideration as to whether there had been any significant developments impacting the performance and future prospects of the company. As at 31 December 2020, its fair value was £1,595,000.

17 CAPITAL RESOURCES AND GEARING
The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital and reserves, as disclosed in the Balance Sheet, and its gearing which is achieved through the use of long CFDs. Financial resources are managed in accordance with the Company's investment policy and in pursuit of its objective, both of which are detailed in the Strategic Report in the Annual Report. The principal risks and their management are disclosed in the Strategic Report and in Note 16 above.

18 TRANSACTIONS WITH THE MANAGER AND RELATED PARTIES
FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management and the role of company secretary to FIL Investments International ("FII"), the Investment Manager. Both companies are Fidelity group companies.

Details of the current fee arrangements are given in the Directors' Report in the Annual Report and in Note 4 above. During the year, fees for portfolio management services of £2,035,000 (2019: £1,226,000) and secretarial and administration fees of £50,000 (2019: £50,000) were payable to FII. At the Balance Sheet date, fees for portfolio management services of £232,000 (2019: £160,000) and secretarial and administration fees of £13,000 (2019: £13,000) were accrued and included in other creditors. FII also provides the Company with marketing services. The total amount payable for these services during the year was £97,000 (2019: £101,000). At the Balance Sheet date, marketing services of £6,000 (2019: £11,000) were accrued and included in other creditors.

Disclosures of the Directors' interests in the ordinary shares of the Company and Directors' fees and taxable expenses relating to reasonable travel expenses paid to the Directors are given in the Directors' Remuneration Report in the Annual Report. In addition to the fees and taxable expenses disclosed in the Directors' Remuneration Report, £15,000 (2019: £15,000) of Employers' National Insurance Contributions was also paid by the Company. As at 31 December 2020, Directors' fees of £14,000 (2019: £14,000) were accrued and payable.

19 POST BALANCE SHEET EVENT
On 19 March 2021, following a successful initial public offering, Coconala listed on the Tokyo Stock Exchange. As a result, the valuation increased by 351% from £3,164,000 as at 31 December 2020 to £14,269,000. If the increase in value had been applied at 31 December 2020, the net assets of the Company would have increased by 3.6%.

ALTERNATIVE PERFORMANCE MEASURES

TOTAL RETURN
Total return is considered to be an Alternative Performance Measure.

The tables below provide information relating to the NAVs and ordinary share prices of the Company and the total returns for the years ended 31 December 2020 and 31 December 2019.

2020	Net asset value per ordinary share	Ordinary share price
31 December 2019	189.55p	177.00p
31 December 2020	236.53p	220.50p
Total return for the year	+24.8%	+24.6%

2019	Net asset value per ordinary share	Ordinary share price
31 December 2018	138.77p	127.00p
31 December 2019	189.55p	177.00p
Total return for the year	+36.6%	+39.4%

Ongoing charges
Ongoing charges are considered to be an Alternative Performance Measure. The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and other expenses expressed as a percentage of the average net asset values throughout the year.

	2020	2019
Investment management fees (£'000)	1,787	1,555
Other expenses (£'000)	605	600
Ongoing charges (£'000)	2,392	2,155
Variable management fee (£'000)	248	(329)
Average net assets (£'000)	255,394	222,332
Ongoing charges ratio	0.94%	0.98%
Ongoing charges ratio including variable management fee	1.04%	0.83%

Gearing
Gearing is considered to be an Alternative Performance Measure. See the Fair Value and Portfolio Exposure of Investments table in the Annual Report for details of the Company's gearing.

The Annual Financial Report Announcement is not the Company's statutory accounts. The above results for the year ended 31 December 2020 are an abridged version of the Company's full Annual Report and Financial Statements, which have been approved and audited with an unqualified report. The 2019 and 2020 statutory accounts received unqualified reports from the Company's Auditor and did not include any reference to matters to which the Auditor drew attention by way of emphasis without qualifying the reports and did not contain a statement under s.498 of the Companies Act 2006. The financial information for 2019 is derived from the statutory accounts for 2019 which have been delivered to the Registrar of Companies. The 2020 Financial Statements will be filed with the Registrar of Companies in due course.

A copy of the Annual Report will shortly be submitted to the National Storage Mechanism and will be available for inspection at: www.morningstar.co.uk/uk/NSM

The Annual Report will be posted to shareholders next month and additional copies will be available from the registered office of the Company and on the Company's website:

www.fidelityinvestmenttrusts.com where up to date information on the Company, including daily NAV and share prices, factsheets and other information can also be found.

Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

ENDS