

Fidelity Japanese Values PLC

Half-Yearly Report

For the 6 months ended 30 June 2014



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Investment Objective and Performance Highlights

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

Performance – Total Return (six months to 30 June 2014)

	Six months to 30 June 2014
Net Asset Value ("NAV") per Ordinary Share	+4.2%
Ordinary Share Price	+3.5%
Russell Nomura Mid/Small Cap Index* (in sterling terms)	+0.9%

* The Company's Reference Index

As at 30 June 2014

	As at 30 June 2014
Equity Shareholders' Funds	£93.8m
Market Capitalisation	£84.9m
Capital Structure: Ordinary Shares of 25p each	113,954,834

Standardised Performance – Total Return (%)

	01/07/13 to 30/06/14	01/07/12 to 30/06/13	01/07/11 to 30/06/12	01/07/10 to 30/06/11	01/07/09 to 30/06/10
NAV per ordinary share	+1.0	+29.2	-9.9	+16.9	+16.0
Ordinary share price	+3.1	+37.6	-9.5	+14.9	+11.6
Russell Nomura Mid/Small Cap Index (in sterling terms)	+0.1	+20.5	-5.7	+3.4	+10.9

Sources: Fidelity and Datastream

Past performance is not a guide to future returns



The Company is a member of the Association of Investment Companies

Financial Summary

	30 June 2014	31 December 2013	% change	
Assets				
Total portfolio exposure ¹	£108.8m	£105.1m	+3.5	
Shareholders' funds	£93.8m	£90.0m	+4.2	
Total portfolio exposure in excess of shareholders' funds (gearing)	16.0%	16.8%		
NAV per ordinary share	82.32p	79.02p	+4.2	
Stockmarket data				
Russell Nomura Mid/Small Cap Index (in sterling terms)	2.1748	2.1562	+0.9	
Yen/£ exchange rate	173.216	174.080	+0.5	
Ordinary share price ²	period end	74.50p	72.00p	+3.5
	period high	75.75p	80.38p	
	period low	65.25p	50.50p	
Discount	period end	9.5%	8.9%	
	period high	14.3%	19.9%	
	period low	2.8%	4.7%	
	Six months ended 30 June 2014	Six months ended 30 June 2013		

Results – see pages 12 and 13

Revenue loss per ordinary share	(0.07p)	(0.09p)
Capital return per ordinary share	3.38p	23.61p
Total return per ordinary share	3.31p	23.52p

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

2 The period high and low figures relate to the six months to 30 June 2014 and the year to 31 December 2013

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

Chairman's Statement

I have pleasure in presenting the Half-Yearly Report for the six months ended 30 June 2014.

During the period under review, the Company's net asset value ("NAV") per share rose by 4.2%, compared to an increase of 0.9% in the Russell Nomura Mid/Small Cap Index (sterling adjusted). Over the same period the share price rose by 3.5%, resulting in a widening of the discount from 8.9% to 9.5%.

As can be seen from the Attribution Analysis opposite, Index performance, stock selection and gearing all contributed to performance. Furthermore, the yen's appreciation against sterling had a positive impact.

A commentary on both the portfolio and the prospects for the Japanese economy may be found in the Manager's Half-Yearly Review on pages 5 to 7.

GEARING

The Company continues to gear through the use of Contracts For Difference ("CFDs"). Total portfolio exposure was £108.8m as at 30 June 2014, equating to gearing of 16.0% (see page 9).

SHARE REPURCHASES

No ordinary shares were repurchased for cancellation in the six months to 30 June 2014 and none have been repurchased since the period end and the date of this report.

Attribution Analysis		Six months to 30 June 2014 (pence)
NAV per share at 31 December 2013		79.02
Impact of the Index (in yen terms)		+0.28
Impact of Index Income (in yen terms)		+0.81
Impact of Stock Selection (relative to the Index)		+1.99
Impact of Gearing		+0.43
Impact of Exchange Rate		+0.40
Impact of Charges		-0.69
Impact of Cash		+0.08
NAV per share at 30 June 2014		82.32

Performance for the six months to 30 June 2014



Rebased to 100 at 31 December 2013
Sources: Fidelity and Datastream

Chairman's Statement

SUBSCRIPTION SHARES

Shareholders will have recently received notice to attend a General Meeting on 26 August 2014. This meeting will seek approval for a Bonus Issue of one subscription share for every five ordinary shares held by qualifying shareholders; together with the adoption of new Articles of Association for the Company. Each subscription share gives the holder the right, but not the obligation, to subscribe for one ordinary share at the end of each month from the end of September 2014 until the end of April 2016 inclusive. Each subscription share may only be exercised once. If approved, the exercise price will be based on the Company's NAV at 5pm on 26 August 2014, plus a 2% premium to such NAV, rounded up to the nearest quarter of a penny. The subscription shares will be listed on the London Stock Exchange and dealings will commence in these shares at 8.00 a.m. on 28 August 2014.

REGULATORY MATTERS

As stated in the Annual Report, the Board has worked with its advisors in order to achieve compliance with the Alternative Investment Fund Managers Directive ("AIFMD") which came into force on 22 July 2014. As a result the Board has appointed FIL Investment Services (UK) Limited (a Fidelity group company) to act as the Company's Alternative Investment Fund Manager. FIL Investment Services (UK) Limited has delegated the portfolio management to FIL Investments International who previously acted as the Company's Manager. FIL Investments International will continue to act as Company Secretary.

An additional requirement of the AIFMD was to appoint a depositary on behalf of the Company to oversee the custody and cash arrangements of the Company. The Company has now appointed J.P.Morgan Europe Limited to act as the Company's Depositary. J.P.Morgan Europe Limited is part of the same group of companies as JP Morgan Chase Bank who act as the Company's current banker and custodian and will continue to do so.

OUTLOOK

The performance of Japanese stocks has started to improve as risk aversion has eased. Global growth is picking up and there are some signs that activity will accelerate in the coming months, led by the US. The Japanese economy is gradually recovering from the effects of April's sales tax increase and Government-led reform measures are proving to be positive from an equity perspective. Meanwhile, the improvement in corporate earnings is set to reaccelerate and valuation multiples are undemanding compared with other major markets.

Of all the positive developments in recent months, we find it most encouraging that Japanese companies are increasingly shareholder friendly, as evidenced by the recent increase in share buybacks and raised dividends. Following the announcement of Japan's Stewardship Code, with which 127 institutional investors have complied, the Government is aiming to introduce a new "corporate governance code" next year. This is expected further to enforce best practice in governance by companies, whilst the Stewardship Code is limited to putting external pressure on companies through dialogue with investors to promote sustainable growth and increased dividends.

None of the Government-led reforms are happening quickly, but there is, at least, some movement and recent developments are somewhat encouraging.

We believe that the fundamental direction of the "New Growth Strategy" published in June 2014 is positive and that domestic macroeconomic fundamentals will continue to show improvement, if only gradual.

David Robins
Chairman
31 July 2014

Manager's Half-Yearly Review

During the first four months of 2014, global equity markets struggled and Japan was a relative laggard. This was largely due to external factors, such as concerns about China's economy and escalating geopolitical issues. As emerging markets were sold off and global risk appetite diminished, the yen strengthened, which in turn exacerbated the decline in Japanese stock prices. In terms of domestic factors, an impending consumption tax hike increased uncertainty among investors. A certain amount of disappointment regarding the progress of Prime Minister Shinzo Abe's third arrow – growth and reform policies – also played a part.

More recently, however, improving US economic indicators and signs of a recovery in China, enhanced investors' confidence in the global growth outlook, while concerns about the impact of Japan's sales tax hike started to ease and earnings revisions turned positive. Prime Minister Shinzo Abe announced the Government's revised growth strategy, which raised expectations of a reduction in the corporate tax rate and a shift in asset allocation at the Government Pension Investment Fund ("GPIF"). The Bank of Japan's quarterly Tankan survey suggested that corporate sentiment was gradually recovering after the sales tax hike and underscored an increased willingness to engage in capital investment.

The Japanese equity market has been making up lost ground since the end of April. Trading value has shown a modest recovery, with notable purchases of Japanese stocks by pension funds among domestic investors and a return to net buying by overseas investors. The rally was led by small-cap and value stocks, which were sold off during the first three months of the year. Their share price bounced back strongly as investors' concerns about the macroeconomic outlook receded. An increased focus on shareholder returns has also been evident. Japanese

companies are undertaking share buybacks at a record pace, with ¥2.8 trillion of purchases announced so far this year compared with ¥2.9 trillion in the whole of 2013. Meanwhile, estimated annual dividends per share for the TOPIX Index have also increased, rising to the highest level since 2008.

PORTFOLIO REVIEW

The Company's net asset value ("NAV") rose by 4.2% to 82.32 pence per share during the review period. Meanwhile, the share price rose by 3.5% to 74.50 pence per share, resulting in the discount to NAV widening slightly. The Company outperformed its Reference Index, the Russell Nomura Mid/Small Cap Index, which only returned 0.9% (in sterling terms).

The best performing stock during the review period was Sanix, which is the largest overweight position in the Company's portfolio. It is a solar power integrator that installs small-scale solar panels for both commercial and residential use. Sanix has built a unique business model that covers production of mountings, power controllers and modules, as well as the sales, installation and maintenance of the solar power generation system. The number of applications for solar power system installations is growing rapidly thanks to the Japanese Government's subsidies for purchasing clean energy.

Japan Aviation Electronics was another good performer in the portfolio. It is a niche manufacturer of connectors used for smartphones and automobiles. It is benefiting from secular growth in electronic parts used for automobiles and has successfully maintained a large market share in connectors used for mobile devices. The record operating profit for the year ended March 2014 drove its share price higher towards the end of the review period.

Manager's Half-Yearly Review

M3, which is a name familiar to our shareholders, also ranked in the top ten contributors. It has consistently added value over time since the position was initiated in 2007. It provides web-based, two-way marketing/customer support services for pharmaceutical companies and doctors. Although pharmaceutical marketing services is not a growth industry, M3 has created its own niche by changing existing business practices through the utilisation of its internet infrastructure.

Elsewhere, two of the last year's major detractors, Gulliver International (used car retailer) and Fuji Kyuko (passenger rail and coach services), ranked in the top ten contributors for the period under review.

Conversely, the single largest detractor was Livesense, which operates job placement and rental apartment search websites. Although the company was well-positioned to benefit from increasing job offers, its profits came under pressure from a decline in successful job placements and rising advertisement costs. As we did not see any near-term improvement in their cost structure, we closed the position in Livesense.

Stock selection in the machinery and chemicals sectors also fared less well. Nuflare Technology (semiconductor production equipment), fell on near-term earnings disappointments, but its overweight position has been maintained. Its valuation remains cheap and we expect its dominant global market share in mask writers to drive long-term growth. In the chemicals sector, an insecticide producer, Nihon Nohyaku, experienced a correction after its share price more than tripled in 2013. However, we see no change in its fundamentals. Nihon Nohyaku is enjoying strong sales growth with a product called Belt which is distributed globally by Bayer.

During the review period, the portfolio maintained a balance between domestic consumer services and pro-cyclical manufacturers. We maintained a strong sell discipline, actively trimming positions when further upside appeared limited. For example, the Company capitalised on the strong performance of Lintec (niche producer of pressure-sensitive adhesives) to take profits, while the positions in Tokuyama (electronic materials and chemical producer) and Livesense (job placement agency) were closed because of mid-term earnings disappointments.

Also, electronic component producers, Taiyo Yuden and Nichicon, were sold, as their earnings growth momentum appears to be weaker than expected in the near term. In the meantime, overweight positions were initiated in other electronic component makers such as Rohm and Dai-Ichi Seiko, whose share price valuations had not fully reflected their earnings recovery.

The Company has continued to maintain an overweight stance in services companies and retailers. Share price weakness due to concerns about the impact of April's sales tax hike provided us with opportunities to build positions in e-commerce operator Rakuten and drug store chain operator Sugi Holdings. Rakuten is well positioned to gain domestic market share through its hybrid business model of financial services and online shopping. Sugi maintains strong top-line and operating-profit growth momentum, as well as double-digit returns on equity.

OUTLOOK

As concerns about the macro- and microeconomic repercussions of April's sales tax hike have eased, the investment environment for Japanese stocks has become more favourable. Indeed, some leading economic indicators have started to recover and earnings revisions have turned positive after bottoming out in mid-April. Valuation

Manager's Half-Yearly Review

multiples have largely reverted to pre-Abenomics (economic policies advocated by Prime Minister Shinzo Abe) levels and Japanese stocks appear cheap relative to other developed markets.

Furthermore, the Abe Government's recently unveiled 'New Growth Strategy' contains a number of meaningful proposals from an equity perspective, including improvements in corporate governance, reform of the GPIF and phased reductions in the corporate tax rate.

At a macroeconomic level, there are increasing signs that Japan is emerging from its protracted deflationary cycle. The corporate sector also appears to be weathering the recent consumption tax hike relatively well. Whilst a reactionary post-hike contraction is anticipated in the April-June statistics (according to consensus estimates), real GDP contracted by 4.4% annualised, the economy is expected to return to an upward trend in the third quarter, supported by improvements in employment and private capital investment, as well as a gradual pickup in exports. In the absence of any sudden changes, the potential for further monetary easing by the Bank of Japan in the short-term appears low given Governor Haruhiko Kuroda's relatively optimistic view of the price outlook.

After declining since the start of the year, the earnings revision index recently moved back into positive territory. Consensus forecasts initially declined in response to companies' extremely conservative guidance. However, sentiment is gradually improving. Aggregate profits are set to increase for a third consecutive year in fiscal 2014, as the impact of the sales tax hike wanes, Japan steadily exits deflation and the US economic recovery gains traction. Meanwhile, a proposed cut in the effective corporate tax rate to below 30% could be a major positive for the equity market. Government-led measures to enhance corporate

governance and encourage a shift toward equity allocation by the GPIF could also ignite substantial equity inflows.

A combination of rising earnings per share and market underperformance in the first half of the year means that Japanese equities have been derated. The forward price-to-earnings ratio now compares favourably with other developed markets. Given a turnaround in the investment environment and positive policy developments, such as the Government's new growth strategies, Japan remains on the right track.

FIL Investments International

31 July 2014

Twenty Largest Investments as at 30 June 2014

Twenty Largest Investments, including long CFDs	Exposure £'000	Fair Value ¹ £'000	Total Exposure ² %
Sanix Solar power integrator	3,957	3,957	3.6
M3 (CFD) Provider of medical related internet services	3,841	2,087	3.5
Seria Operator of '100 yen' chain stores throughout Japan	3,613	3,613	3.3
Tosho Operator of sports club facilities, hotels and golf courses	3,277	3,277	3.0
WirelessGate Provider of high-speed wireless communication services	2,621	2,621	2.4
Fuji Kyuko Provider of passenger rail and coach services	2,341	2,341	2.2
N Field Provider of home care services	2,299	2,299	2.1
Japan Aviation Electronics Manufacturer of electrical connectors and aerospace equipment	2,249	2,249	2.1
Rohm (CFD) Manufacturer and distributor of electronic components	2,187	147	2.0
Stanley Electric Manufacturer and distributor of automobile equipment	2,168	2,168	2.0
Hamamatsu Photonics Manufacturer and distributor of imaging equipment	2,145	2,145	2.0
Gulliver International Distributor of used cars	2,084	2,084	1.9
Sekisui Chemical (CFD) Producer of housing materials, plastics and flat panel displays	2,034	644	1.9

Twenty Largest Investments as at 30 June 2014

Twenty Largest Investments, including long CFDs	Exposure £'000	Fair Value ¹ £'000	Total Exposure ² %
Sumitomo Electric Industries (CFD) Manufacturer of electric wire and optical fibre cables	1,957	274	1.8
Hikari Tsushin Retailer of electronic devices	1,918	1,918	1.8
Nihon Nohyaku Manufacturer of agrochemical and pharmaceutical products	1,827	1,827	1.7
Round One Operator of community leisure facilities	1,675	1,675	1.5
AEON Mall Specialist shopping mall developer	1,663	1,663	1.5
Brother Industries Manufacturer of office equipment and supplies	1,642	1,642	1.5
Anritsu Company (CFD) Manufacturer of test and measurement equipment	1,596	(448)	1.5
Twenty Largest Investments	47,094	38,183	43.3
Other Investments	61,733	53,400	56.7
Total Portfolio (including long CFDs)	108,827	91,583	100.0

GEARING as at 30 June 2014

	£'000
Exposure to Investments	87,284
Exposure to long CFDs	21,543
Total portfolio exposure	108,827
Shareholders' funds	93,813
Total portfolio exposure in excess of shareholders' funds	16.0%

1 Fair value represents the carrying value in the Balance Sheet on page 16

2 % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs

Interim Management Report

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

PRINCIPAL RISKS AND UNCERTAINTIES

The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the risk management and internal control process, identifies the key risks that the Company faces. The principal risks and uncertainties faced by the Company continue to fall into the following categories: market risk, performance risk, discount control risk, currency risk, gearing risk, tax and regulatory risks, operational risks and financial instrument risks. Information on each of these risks can be found in the Strategic Report section within the Annual Report for the year ended 31 December 2013.

RELATED PARTY TRANSACTIONS

There have been no related party transactions during the six month period to 30 June 2014.

GOING CONCERN

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements as outlined in the Annual Report for the year ended 31 December 2013. The next continuation vote will be put to shareholders at the Annual General Meeting in 2016.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm to the best of their knowledge that:

- a) the condensed set of financial statements contained within the Half-Yearly Financial Report has been prepared in accordance with the UK Accounting Standards Board's Statement 'Half-Yearly Financial Reports'; and gives a true and fair view of the assets, liabilities, financial position and net return of the Company as required by the UK Listing Authority Disclosure and Transparency Rules ("DTR") 4.2.4R; and
- b) the Interim Management Report (which incorporates the Chairman's Statement and Manager's Half-Yearly Review on pages 3 to 7) includes a fair review of the information required by DTR Rules 4.2.7R and 4.2.8R.

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

The Half-Yearly Financial Report was approved by the Board on 31 July 2014 and the above responsibility statement was signed on its behalf by David Robins, Chairman.

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Income Statement

		six months ended 30.06.14 unaudited		
	Notes	revenue £'000	capital £'000	total £'000
Gains on investments designated at fair value through profit or loss		-	4,171	4,171
(Losses)/gains on derivative instruments held at fair value through profit or loss		-	(261)	(261)
Income	2	771	-	771
Investment management fee		(459)	-	(459)
Other expenses		(292)	-	(292)
Exchange losses on other net assets		(7)	(57)	(64)
Net return/(loss) before finance costs and taxation		13	3,853	3,866
Finance costs		(37)	-	(37)
Net (loss)/return on ordinary activities before taxation		(24)	3,853	3,829
Taxation on (loss)/return on ordinary activities	3	(58)	-	(58)
Net (loss)/return on ordinary activities after taxation for the period		(82)	3,853	3,771
(Loss)/return per ordinary share – undiluted and diluted	4	(0.07p)	3.38p	3.31p

A Statement of Total Recognised Gains and Losses has not been prepared as there are no gains and losses other than those reported in this Income Statement.

The total column of the Income Statement is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued in the period.

These financial statements have been prepared in accordance with the Association of Investment Companies Statement of Recommended Practice issued in January 2009.

year ended 31.12.13 audited			six months ended 30.06.13 unaudited		
revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
-	13,932	13,932	-	19,064	19,064
-	9,665	9,665	-	6,608	6,608
1,440	-	1,440	836	-	836
(1,076)	-	(1,076)	(534)	-	(534)
(479)	-	(479)	(276)	-	(276)
<u>(59)</u>	<u>(654)</u>	<u>(713)</u>	<u>(37)</u>	<u>(107)</u>	<u>(144)</u>
(174)	22,943	22,769	(11)	25,565	25,554
<u>(73)</u>	<u>-</u>	<u>(73)</u>	<u>(36)</u>	<u>-</u>	<u>(36)</u>
(247)	22,943	22,696	(47)	25,565	25,518
<u>(84)</u>	<u>-</u>	<u>(84)</u>	<u>(48)</u>	<u>-</u>	<u>(48)</u>
<u>(331)</u>	<u>22,943</u>	<u>22,612</u>	<u>(95)</u>	<u>25,565</u>	<u>25,470</u>
<u>(0.30p)</u>	<u>20.64p</u>	<u>20.34p</u>	<u>(0.09p)</u>	<u>23.61p</u>	<u>23.52p</u>

Reconciliation of Movements in Shareholders' Funds

	Note	share capital £'000
Opening shareholders' funds at 1 January 2013		25,068
Issue of ordinary shares on exercise of rights attached to subscription shares	5	4,308
Exercise of rights attached to subscription shares and conversion into ordinary shares	5	(862)
Repurchase of ordinary shares	5	(25)
Net return/(loss) on ordinary activities after taxation for the period		-
Closing shareholders' funds at 30 June 2013		<u>28,489</u>
Opening shareholders' funds at 1 January 2013		25,068
Issue of ordinary shares on exercise of rights attached to subscription shares	5	4,308
Exercise of rights attached to subscription shares and conversion into ordinary shares	5	(862)
Repurchase of ordinary shares	5	(25)
Net return/(loss) on ordinary activities after taxation for the year		-
Closing shareholders' funds at 31 December 2013		<u>28,489</u>
Opening shareholders' funds at 1 January 2014		28,489
Net return/(loss) on ordinary activities after taxation for the period		-
Closing shareholders' funds at 30 June 2014		<u>28,489</u>

share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
703	2,596	57,627	(14,489)	(13,471)	58,034
5,170	-	-	-	-	9,478
862	-	-	-	-	-
-	25	(59)	-	-	(59)
-	-	-	25,565	(95)	25,470
<u>6,735</u>	<u>2,621</u>	<u>57,568</u>	<u>11,076</u>	<u>(13,566)</u>	<u>92,923</u>
703	2,596	57,627	(14,489)	(13,471)	58,034
5,147	-	-	-	-	9,455
862	-	-	-	-	-
-	25	(59)	-	-	(59)
-	-	-	22,943	(331)	22,612
<u>6,712</u>	<u>2,621</u>	<u>57,568</u>	<u>8,454</u>	<u>(13,802)</u>	<u>90,042</u>
6,712	2,621	57,568	8,454	(13,802)	90,042
-	-	-	3,853	(82)	3,771
<u>6,712</u>	<u>2,621</u>	<u>57,568</u>	<u>12,307</u>	<u>(13,884)</u>	<u>93,813</u>

Balance Sheet

Company number 2885584

	Notes	30.06.14 unaudited £'000	31.12.13 audited £'000	30.06.13 unaudited £'000
Fixed assets				
Investments designated at fair value through profit or loss		87,284	84,031	84,040
Current assets				
Derivative assets held at fair value through profit or loss		4,892	6,263	7,938
Debtors		759	309	2,705
Cash at bank		2,416	662	742
		<u>8,067</u>	<u>7,234</u>	<u>11,385</u>
Creditors				
Derivative liabilities held at fair value through profit or loss		(593)	(421)	(444)
Other creditors		(945)	(802)	(2,058)
		<u>(1,538)</u>	<u>(1,223)</u>	<u>(2,502)</u>
Net current assets		<u>6,529</u>	<u>6,011</u>	<u>8,883</u>
Total net assets		<u>93,813</u>	<u>90,042</u>	<u>92,923</u>
Capital and reserves				
Share capital	5	28,489	28,489	28,489
Share premium account		6,712	6,712	6,735
Capital redemption reserve		2,621	2,621	2,621
Other reserve		57,568	57,568	57,568
Capital reserve		12,307	8,454	11,076
Revenue reserve		(13,884)	(13,802)	(13,566)
Total equity shareholders' funds		<u>93,813</u>	<u>90,042</u>	<u>92,923</u>
Net asset value per ordinary share	6	<u>82.32p</u>	<u>79.02p</u>	<u>81.54p</u>

Cash Flow Statement

	six months ended 30.06.14 unaudited £'000	year ended 31.12.13 audited £'000	six months ended 30.06.13 unaudited £'000
Operating activities			
Investment income received	378	979	426
Income received on long CFDs	196	278	172
Investment management fee paid	(486)	(992)	(444)
Directors' fees paid	(56)	(82)	(56)
Other cash payments	(219)	(272)	(383)
Net cash outflow from operating activities	(187)	(89)	(285)
Servicing of finance			
Interest paid on long CFDs	(37)	(73)	(36)
Net cash outflow from servicing of finance	(37)	(73)	(36)
Financial investments			
Purchase of investments	(22,822)	(98,848)	(58,555)
Disposal of investments	23,575	84,792	48,877
Net cash inflow/(outflow) from financial investments	753	(14,056)	(9,678)
Derivative activities			
Proceeds from long CFD positions closed	1,282	5,463	754
Net cash inflow from derivative instruments	1,282	5,463	754
Net cash inflow/(outflow) before financing	1,811	(8,755)	(9,245)
Financing			
Exercise of rights attached to subscription shares	-	9,456	9,479
Repurchase of ordinary shares	-	(59)	(59)
Net cash inflow from financing	-	9,397	9,420
Increase in cash	1,811	642	175
Reconciliation of net cash movements to movement in net funds			
Net funds at the beginning of the period	662	674	674
Net cash inflow	1,811	642	175
Exchange movements	(57)	(654)	(107)
Change in net funds	1,754	(12)	68
Net funds at the end of the period	2,416	662	742

Notes to the Financial Statements

1 ACCOUNTING POLICIES

The half-yearly financial statements have been prepared on the basis of the accounting policies set out in the Company's annual report and financial statements for the year ended 31 December 2013.

30.06.14 unaudited £'000	31.12.13 audited £'000	30.06.13 unaudited £'000
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2 INCOME

Income from investments designated at fair value through profit or loss

Overseas dividends	586	1,138	671
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Income from derivatives held at fair value through profit or loss

Dividends on long CFDs	185	302	165
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Total income	771	1,440	836
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30.06.14 unaudited £'000	31.12.13 audited £'000	30.06.13 unaudited £'000
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3 TAXATION ON (LOSS)/RETURN ON ORDINARY ACTIVITIES

Overseas taxation suffered	58	84	48
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Notes to the Financial Statements

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

The (loss)/return per ordinary share is based on the net (loss)/return on ordinary activities after taxation for the period divided by the weighted average number of ordinary shares in issue during the period. There are no diluted (losses)/returns in the period because there were no subscription shares in issue during the period. There were no diluted (losses)/returns in the year ended 31 December 2013 or the half-year ended 30 June 2013 because the average ordinary share price in the period, prior to all the subscription share rights being exercised, was below the exercise price of the subscription shares.

	30.06.14 unaudited £'000	31.12.13 audited £'000	30.06.13 unaudited £'000
Net revenue loss on ordinary activities after taxation for the period	(82)	(331)	(95)
Net capital return on ordinary activities after taxation for the period	<u>3,853</u>	<u>22,943</u>	<u>25,565</u>
Net total return on ordinary activities after taxation for the period	<u>3,771</u>	<u>22,612</u>	<u>25,470</u>
Weighted average number of ordinary shares in issue during the period	<u>113,954,834</u>	<u>111,140,691</u>	<u>108,279,905</u>
	30.06.14 unaudited pence	31.12.13 audited pence	30.06.13 unaudited pence
Revenue loss per ordinary share	(0.07)	(0.30)	(0.09)
Capital return per ordinary share	<u>3.38</u>	<u>20.64</u>	<u>23.61</u>
Total return per ordinary share	<u>3.31</u>	<u>20.34</u>	<u>23.52</u>

Notes to the Financial Statements

	30.06.14 unaudited		31.12.13 audited		30.06.13 unaudited	
	Number of shares	£'000	Number of shares	£'000	Number of shares	£'000
5 SHARE CAPITAL						
Issued, allotted and fully paid:						
Ordinary shares of 25 pence each						
Beginning of the period	113,954,834	28,489	96,822,685	24,206	96,822,685	24,206
Issue of ordinary shares on the conversion of rights attached to subscription shares	-	-	17,232,149	4,308	17,232,149	4,308
Repurchase of ordinary shares	-	-	(100,000)	(25)	(100,000)	(25)
End of the period	<u>113,954,834</u>	<u>28,489</u>	<u>113,954,834</u>	<u>28,489</u>	<u>113,954,834</u>	<u>28,489</u>
Issued, allotted and fully paid:						
Subscription shares of 5 pence each (2009 Issue)						
Beginning of the period	-	-	17,232,149	862	17,232,149	862
Exercise of rights attached to subscription shares and conversion into ordinary shares	-	-	(17,232,149)	(862)	(17,232,149)	(862)
End of the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total share capital		<u>28,489</u>		<u>28,489</u>		<u>28,489</u>

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

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

Notes to the Financial Statements

6 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share is based on net assets of £93,813,000 (31 December 2013: £90,042,000 and 30 June 2013: £92,923,000) and on 113,954,834 (31 December 2013: 113,954,834 and 30 June 2013: 113,954,834) ordinary shares, being the number of ordinary shares in issue at the period end. There are no diluted net asset values per ordinary share because there were no subscription shares in issue at any of the period ends.

7 INVESTMENT TRANSACTION COSTS

Transaction costs are incurred on the acquisition and disposal of investments. These are included in the gains on investments designated at fair value through profit or loss in the capital column of the Income Statement and are summarised below:

	30.06.14 unaudited £'000	31.12.13 audited £'000	30.06.13 unaudited £'000
Purchases	25	101	62
Sales	24	79	48
	<u>49</u>	<u>180</u>	<u>110</u>

8 UNAUDITED FINANCIAL STATEMENTS

The results for the six months ended 30 June 2014 and 30 June 2013, which are unaudited, constitute non-statutory accounts within the meaning of Section 435 of the Companies Act 2006. The figures and financial information for the year ended 31 December 2013 are extracted from the latest published financial statements. These financial statements, on which the Independent Auditor gave an unqualified report, have been delivered to the Registrar of Companies.

Shareholder Information

CONTACT INFORMATION

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

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

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

Holders of ordinary shares

Capita Asset Services, Registrars to Fidelity Japanese Values PLC, The Registry,
34 Beckenham Road, Beckenham, Kent BR3 4TU.
Telephone: 020 8639 3399. Lines are open from
8.30am to 5.30pm, Monday to Friday).
Email: shareholderenquiries@capita.co.uk.

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

Fidelity Share Plan investors

Fidelity Investment Trust Share Plan, PO Box 12062,
Mellon House, Ingrave Road, Brentwood,
Essex CM14 9LX.

Telephone: 0845 358 1107 (calls to this number are charged at 3.95p per minute from a BT landline. Other telephone service providers' costs may vary).

Fidelity ISA investors

Private investors call free on 0800 41 41 10 and **financial advisers** call free on 0800 41 41 81, or by writing to: UK Customer Service, Fidelity Worldwide Investment, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ.

General enquiries should be made to Fidelity, FIL Investments International, the Secretary, at the Company's registered office:
FIL Investments International, Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.
Telephone: 01732 36 11 44
Fax: 01737 83 68 92 www.fidelity.co.uk/its

FINANCIAL CALENDAR

- | | |
|-------------------------|---------------------------------------|
| 30 June 2014 | - Half-Yearly period end |
| July 2014 | - Announcement of Half-Yearly results |
| August 2014 | - Publication of Half-Yearly report |
| 31 December 2014 | - Financial year end |
| March/April 2015 | - Publication of Annual Report |
| May 2015 | - Annual General Meeting |

Shareholder Information

BOARD, MANAGER AND ADVISORS

BOARD OF DIRECTORS

David Robins (Chairman)
David Miller, OBE (Senior Independent Director)
Sir Laurie Magnus (Audit Committee Chairman)
Simon Fraser
Philip Kay

ALTERNATIVE INVESTMENT FUND MANAGER (AIFM)

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

PORTFOLIO MANAGER, SECRETARY AND REGISTERED OFFICE

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

FINANCIAL ADVISERS AND STOCKBROKERS

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88 Wood Street
London
EC2V 7QR

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Chartered Accountants and Registered Auditor
30 Finsbury Square
London
EC2P 2YU

BANKERS AND CUSTODIAN

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

DEPOSITARY

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

REGISTRARS

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

LAWYERS

Slaughter and May
One Bunhill Row
London
EC1Y 8YY

Speechly Bircham LLP
6 New Street Square
London
EC4A 3LX

Glossary of Terms

AIF

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

AIFM

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

AIFMD

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

CONTRACT FOR DIFFERENCE (CFD)

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

DERIVATIVES

Financial instruments whose value is derived from the value of an underlying asset. The main categories of [derivatives](#) are [Contracts For Difference](#), futures and options.

DISCOUNT

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

FAIR VALUE

The [fair value](#) is the best estimate of the value of the investments, including [derivatives](#), at a point in time and this is measured as:

- Listed investments valued at bid prices, or last market prices, where available, otherwise at published price quotations;
- Unlisted investments valued using an appropriate valuation technique in the absence of an active market; and

Glossary of Terms

- **Contracts For Difference** valued as the difference between the settlement price of the contract and the value of the underlying shares in the contract (unrealised gains or losses).

GEARING

Gearing describes the level of a Company's exposure and is expressed as a percentage of **shareholders' funds**. It reflects the amount of exposure the Company uses to invest in the market. It can be through the use of bank loans, bank overdrafts or **derivatives** in order to increase a Company's exposure to investments. If assets rise in value, **gearing** magnifies the return to ordinary shareholders. Correspondingly, if the assets fall in value, **gearing** magnifies the fall. The Company uses long **Contracts For Difference** to gain exposure to the price movements of shares without buying the underlying shares directly.

GEARING PERCENTAGE

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

HEDGING

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

NET ASSET VALUE (NAV)

Net asset value is sometimes also described as "**shareholders' funds**", and represents the total value of the Company's assets less the total value of its liabilities.

NAV ASSET VALUE PER ORDINARY SHARE

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

PREMIUM

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

REFERENCE INDEX

Russell Nomura Mid/Small Cap Index against which the performance of the Company is measured.

RETURN

The return generated in the period from the investments:

- **Revenue Return** reflects the dividends and interest from investments and other income net of revenue expenses, finance costs and taxation;

Glossary of Terms

- **Capital Return** reflects the return on capital, excluding any revenue returns;
- **Total Return** reflects the aggregate of capital and revenue returns in the period.

SHAREHOLDERS' FUNDS

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

SUBSCRIPTION SHARES (2009 ISSUE)

The subscription shares were issued as a bonus issue to ordinary shareholders on 11 November 2009 on the basis of one subscription share for every five ordinary shares held. The final date to exercise the rights attached to the subscription shares was 28 February 2013.

TOTAL PORTFOLIO EXPOSURE

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

TOTAL RETURN PERFORMANCE

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

Investor Information

The Fidelity Individual Savings Account (“ISA”) and Junior ISA are offered and managed by Financial Administration Services Limited. The Fidelity Investment Trust Share Plan is managed by FIL Investments International. Both companies are authorised and regulated by the Financial Conduct Authority. The Fidelity Investment Trust Share Plan is administered by The Bank of New York Mellon and shares will be held in the name of The Bank of New York Nominees Limited.

The value of savings and eligibility to invest in an ISA will depend on individual circumstances and all tax rules may change in the future. With effect from 22 July 2014, Fidelity’s investment trusts are managed by FIL Investment Services (UK) Limited, the Alternative Investment Fund Manager. They were previously managed by FIL Investments International. Fidelity only gives information about its own products and services and does not provide investment advice based on individual circumstances. Should you wish to seek advice, please contact a Financial Adviser.

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

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

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Warning to Shareholders

SHARE FRAUD WARNING

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

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

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

PROTECT YOURSELF

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

1. Get the name of the person and organisation contacting you.
2. Check the FCA Register at www.fca.org.uk/register/ to ensure they are authorised.
3. Use the details on the FCA Register to contact the firm.
4. Call the FCA Consumer Helpline on **0800 111 6768** if there are no contact details on the Register or you are told they are out of date.
5. Search the FCA's website list of unauthorised firms and individuals to avoid doing business with.
6. **REMEMBER: if it sounds too good to be true, it probably is!**

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

REPORT A SCAM

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

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

0300 123 2040



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