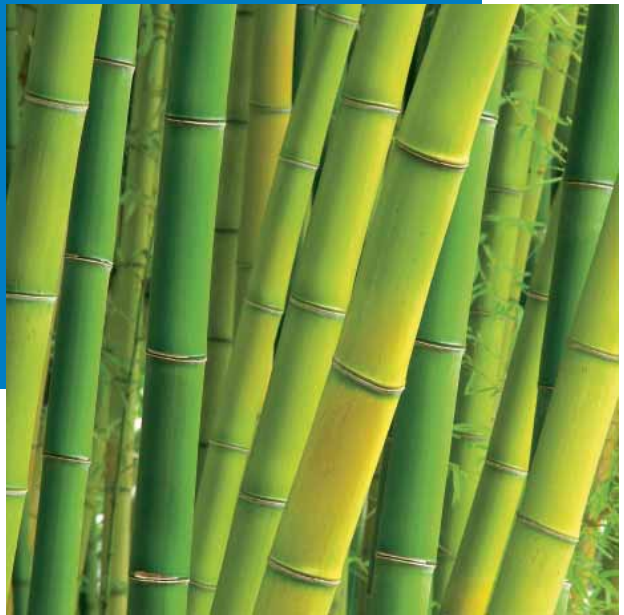


# Fidelity Japanese Values PLC

Half-Yearly Report

For the 6 months ended 30 June 2012



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# Objective & Performance Summary

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

## Performance (on a total return basis)

	30 June 2012	Six months to 30 June 2012
Net asset value ("NAV") per share – undiluted	63.11p	-1.7%
NAV per share – diluted	61.89p	-1.4%
Ordinary share price	52.50p	0.0%
Russell Nomura Mid/Small Cap Index* (in sterling terms)	1.80	-1.4%

\* The Company's Benchmark Index

## Standardised performance (on a total return basis) (%)

	01/07/07 to 30/06/08	01/07/08 to 30/06/09	01/07/09 to 30/06/10	01/07/10 to 30/06/11	01/07/11 to 30/06/12
NAV per share – undiluted	-17.4	-16.4	+16.0	+16.9	-9.9
Share price	-19.0	-16.6	+11.6	+14.9	-9.5

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

# Summary of Results

	30 June 2012	31 December 2011	% change
<b>Assets</b>			
Total portfolio exposure <sup>1</sup>	£73.75m	£77.02m	-4.2
Shareholders' funds	£61.35m	£62.54m	-1.9
Contracts for Difference ("CFDs") exposure	£17.58m	£18.22m	-3.5
NAV per share - undiluted	63.11p	64.17p	-1.7
NAV per share - diluted <sup>2</sup>	61.89p	62.79p	-1.4

## Stockmarket Data

Russell Nomura Mid/Small Cap Index (in sterling terms)		1.8034	1.8288	-1.4
Yen/£ exchange rate		125.147	119.572	-4.5
Ordinary share price <sup>3</sup>	period end	52.50p	52.50p	0.0
	high	55.50p	63.25p	
	low	49.25p	47.75p	
Discount - undiluted <sup>3</sup>	period end	16.8%	18.2%	
	high	18.8%	18.7%	
	low	12.1%	3.4%	
Discount - diluted	period end	15.2%	16.4%	
Subscription share price <sup>3</sup>	period end	2.63p	5.70p	
	high	6.38p	14.75p	
	low	2.25p	5.20p	

## Results for the six months to 30 June

(undiluted) - see pages 12 and 13

	2012	2011
Revenue return per ordinary share - undiluted	0.09p	0.04p
Capital (loss)/return per ordinary share - undiluted	(1.18p)	1.82p
Total (loss)/return per ordinary share - undiluted	(1.09p) <sup>4</sup>	1.86p

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

2 The diluted NAV per ordinary share is included in this report since the NAV per ordinary share is greater than the exercise price of the subscription shares. Hence, if the subscription shares had been converted at the period end, the NAV per ordinary share in issue would have been diluted

3 The high and low figures relate to the six months ended 30 June 2012 and the year ended 31 December 2011

4 The decrease in the undiluted NAV per ordinary share during the period of 1.06 pence is less than the 1.09 pence undiluted total loss per ordinary share because the former includes the full enhancement to the NAV per share due to the net share repurchases during the period, whereas the latter is based on the weighted average number of ordinary shares in issue during the period

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

# Chairman's Statement

## Results for the six months to 30 June 2012

**NAV (undiluted): 63.11p (-1.06p; -1.7%)**

**Ordinary share price: 52.50p (no change)**

**Subscription share price: 2.63p (-3.07p; -53.9%)**

**Discount (undiluted): 16.8% (narrowed by 1.4%)**

The global economy is slowing, but not uniformly. The US appears to be benefiting from accommodative monetary policies and well contained inflation, although its recovery is anaemic. Meanwhile, many other economies are confronting late-cycle or recessionary dynamics exacerbated by fiscal tightening. The impact of these policy measures are, to some extent, being offset by aggressive monetary interventionism. However, of concern is the possibility that, on a global basis, the efficacy of monetary policy is diminishing in the face of bank deleveraging, sluggish global demand and fiscal policy risks. As such, it appears that investors no longer expect the macroeconomic backdrop to remain supportive of risk assets, and as a result there is a greater focus on capital preservation in the near term.

Against this global backdrop, the market rally that took off in Japan at the start of the year started to lose momentum in late March as fears of a global slowdown took hold. Weak economic data in China and the US, coupled with the growing threat from the Eurozone debt crisis precipitated a correction in share prices that accelerated in April and May. Increased risk aversion fuelled demand for the yen as a safe haven currency, exerting further pressure on Japanese stocks. Share prices subsequently rallied, however, as statements from monetary authorities raised expectations of

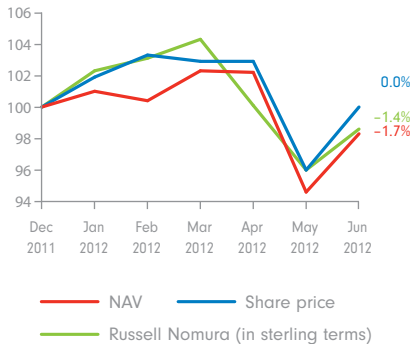
coordinated easing and fears of a Greek exit from the Eurozone receded. During the first half of 2012, cyclical stocks in the energy, materials and technology sectors suffered the steepest declines. Defensive industries such as telecommunications and consumer staples held up well in comparison.

Over the review period, your Company's net asset value declined by 1.06p per share (-1.7%) to 63.11p per share. The discount to NAV, although large, narrowed slightly. The impact of gearing was almost neutral (+0.19p, calculated on a pre-exchange rate basis) while a weakening of the yen against sterling detracted by 2.98p. Index performance and Index income added 2.82p, but the Manager's stock selection detracted marginally from performance by 0.83p.

Attribution Analysis		Six months to 30 June 2012 (pence)
<b>NAV at 31 December 2011 (undiluted)</b>		<b>64.17</b>
Impact of the Index (in yen terms)		+2.06
Impact of Index Income (in yen terms)		+0.76
Impact of Stock Selection		-0.83
Impact of Gearing		+0.19
Impact of Exchange Rate		-2.98
Impact of Charges		-0.64
Share Issues/Repurchases		+0.05
Cash/Residual		+0.33
<b>NAV at 30 June 2012 (undiluted)</b>		<b>63.11</b>

# Chairman's Statement

## Performance for the six months to 30 June 2012



Rebased to 100 at 31 December 2011  
Sources: Fidelity and Datastream

## GEARING

The Company continues to gear through the use of Contracts For Difference ("CFDs"). Total exposure was £73.75m as at 30 June 2012, equating to gearing of 120.2%.

## THE BOARD AND ITS COMMITTEES

Following the retirement of William Thomson from the Board at the conclusion of the Annual General Meeting on 10 May 2012, I was appointed as Chairman of the Board. Nicholas Barber will step down as a Director on 31 December 2012 and at this point the period of transition in the Board's composition will cease and the Board will comprise five Directors.

## SHARE REPURCHASES

During the six months to 30 June 2012, 250,000 ordinary shares were repurchased for cancellation. Following the end of the reporting period, a further 128,000 ordinary shares were repurchased for cancellation.

## SUBSCRIPTION SHARES

The rights attaching to a total of 7,902 subscription shares were exercised during the six months to 30 June 2012, at which point the total number of subscription shares remaining in issue was 17,236,957. The final date for exercising the rights attached to the subscription shares is 28 February 2013. The exercise price of the rights attaching to the subscription shares is 55 pence per subscription share.

After 28 February 2013, the Company will appoint a trustee to determine the net proceeds from the sale of ordinary shares arising on the exercise of the rights attaching to the subscription shares that have not been exercised after deduction of costs, expenses and fees. If these net proceeds are lower than the cost of exercising the rights attached to the said subscription shares, then the subscription share rights will lapse. If the net proceeds are higher than the cost of exercising the rights attached to the subscription shares then, within fourteen days of 28 February 2013, the Company will either:

- (i) exercise all the rights attached to the outstanding subscription shares and sell in the market place the ordinary shares resulting from the exercise of such rights; or
- (ii) accept any offer available for the purchase of the outstanding subscription shares in excess of the exercise price together with the relevant costs, expenses and fees and the resulting net proceeds in excess of the exercise price will be paid to the holders of the outstanding subscription shares unless the amount arising to a subscription shareholder is less than £5.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the internal controls process, identifies the key risks

that the Company faces. The top risks are considered to be poor management of assets or underperformance for several years in succession; loss of reputation in the market place; mismanagement of shareholder relationships; security of the Company's assets; and regulatory change. Further key risks identified within this matrix continue to be market risk, investment management risk, share price risk, currency risk, counterparty risk, governance/regulatory risk, financial and operational/administration risk and financial instrument risks. Information on each of these is given in the Business Review section of the Annual Report for the year ended 31 December 2011.

## CONFIRMATION OF GOING CONCERN

The Board receives regular reports from the Manager and the Directors are satisfied 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 2011. The next continuation vote will be put to shareholders at the Annual General Meeting in 2013.

## GLOSSARY

To assist shareholders, a glossary of main terms has been provided on pages 26 to 28. This will be included in future annual reports.

## OUTLOOK

The past financial year has been difficult for corporate Japan, however Japanese companies have again demonstrated their resilience and profit forecasts are looking strong. The Board has confidence that the Company's portfolio can make progress against the strong global headwinds currently being faced.

### David Robins

Chairman  
26 July 2012

# Manager's Half-Yearly Review

## MANAGER'S PORTFOLIO REVIEW

The Company's NAV underperformed the Russell/Nomura Mid Small Cap Index, which fell 1.4% during the review period. Stock selection was marginally negative, as stockmarkets were driven by "risk-on/risk-off" sentiment rather than corporate fundamentals.

A large part of the underperformance was sustained during the first half of the review period when a number of holdings that formed the basis of the Company's strong performance in 2011 fell out of favour. In particular, the portfolio's emphasis on internet-related names proved disadvantageous. Having posted strong returns in 2011, the portfolio's top positions, including Bit-Isle and CyberAgent, fell on profit taking. Meanwhile, concerns about regulatory risks hurt on-line gaming company Gree's share price. Given the strong conviction in the growth potential of internet service providers, the overweight positions in Bit-Isle, CyberAgent, Kakaku.com, Rakuten and GMO Payment Gateway have been maintained. However, the positions in on-line gaming companies Gree and DeNa have been sold as it was believed that newly introduced regulations had changed their growth scenario.

The performance of cyclical exporters in the portfolio was mixed. Semiconductor production equipment maker Nuflare Technology enjoyed a strong rally on the back of Asian semiconductor makers' robust capital investment plans. However, electronic component producer Maruwa and titanium smelter Osaka Titanium Technologies succumbed to profit taking triggered by a reacceleration of the yen's appreciation during the second half of the review period. Holdings in lithium-ion battery-related names, including Toda Kogyo and GS Yuasa, also hurt performance. However, as long term growth prospects for electric vehicles, for which lithium-ion batteries are

used, remain intact, the overweight positions in Toda Kogyo and GS Yuasa were maintained.

On a positive note, holdings in retailers contributed to relative performance, as the market rotated in favour of domestic retailers which are insulated from the negative impact of the Eurozone crisis and the yen's appreciation. Major contributors included the on-line retailer of machine tools and industrial parts MonotaRO and clothing retailer Honeys. MonotaRO is aggressively gaining new customers and its monthly sales are growing rapidly. Honeys is also enjoying solid sales growth driven by new store openings and successful product planning in China. Elsewhere, holdings in defensive healthcare-related names such as M3 (on-line medical information services for doctors) and 3-D Matrix (medical equipment) added value.

In terms of portfolio positioning, a balance has been maintained between domestic growth names in internet services and pro-cyclical exporters which appear to be significantly undervalued relative to their mid-term growth potential. During the market correction in the latter half of the review period, positions in electronic component makers, whose share price fell sharply amid indiscriminate sell-offs, were increased. Meanwhile, low growth defensive stocks in foods, utilities, pharmaceuticals and railways remained underweight.

## THE MARKET & OUTLOOK

Recent global economic data has come in below expectations and continued political uncertainty in the Eurozone suggests that equities globally are likely to remain volatile. Despite the accumulation of external risks, however, the Japanese economy is set to follow a moderate recovery path through 2012, supported by post-quake reconstruction demand and private consumption.



# Manager's Half-Yearly Review

After ending flat in the fourth quarter, the Japanese economy rebounded in the January to March period with real GDP rising at an annualised rate of 4.7%. Public investment centred on post-quake reconstruction and stronger than expected private consumption, supported by eco-friendly car subsidies, were the key drivers of economic growth. In its Outlook for Economic Activity & Prices report, the Bank of Japan ("BoJ") forecast GDP growth of 2.3% in fiscal 2012 and 1.7% in fiscal 2013. The figures represented modest upgrades from earlier projections.

Furthermore, the BoJ is widely expected to ease monetary policy in the second half of the year, as it moves to counter the downside risks posed by the European debt crisis, the threat of renewed yen appreciation and mounting political pressure domestically.

Despite the difficulties experienced over the past year, earnings recovery remains on track. Supply chain disruptions stemming from the Great East Japan Earthquake and the floods in Thailand, unprecedented yen strength and high fuel costs represented significant hurdles. However, Japanese companies are forecasting a recovery in fiscal 2012, with top-line growth of around 6% and a 20% increase in pre-tax profits. Key contributing factors include normalised production, the ongoing recovery in the US and the emergence of full scale reconstruction demand. Furthermore, the effects of supply restrictions, inventory adjustments and yen appreciation will fade as the year progresses. Earnings forecasts are likely to be revised upwards when external economic conditions and currency markets stabilise as Japanese companies continue to control costs tightly and maintain high operational leverage.

In the stockmarket, Japanese equities are once again touching historical lows even though

corporate earnings are on a clear recovery trend and shareholder returns are improving. Around 20% of companies expect to increase dividends in fiscal 2012, the highest ratio (based on initial guidance) since 2000. Furthermore, valuation metrics for TOPIX-listed companies are at trough levels. The market price-to-book ratio of 0.84x is only marginally above the post-Lehman low of 0.83x, and a TOPIX dividend yield of around 2.7% is substantially higher than the ten year Japanese government bond yield of 0.77%. The upswing in profits is yet to be reflected in share prices and the market is unlikely to continue trading below book value.

Currently stocks appear oversold, but risk aversion is pervasive, spurred on by the crisis in Europe, and is likely to persist. Global markets are extremely sentiment driven and irrational investor behaviour often creates opportunistic mispricing. We believe that the current situation represents an excellent entry point for an investment in good quality Japanese companies with solid balance sheets and sustainable growth potential.

## **FIL Investments International**

26 July 2012

# 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';
- b) the Chairman's Statement and the Manager's Half-Yearly Review on pages 3 to 7 (constituting the interim management report) include a fair review of the information required by Rule 4.2.7R of the FSA's Disclosure and Transparency Rules and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties and an assessment of the Company's status as a going concern for the remaining six months of the financial year; and
- c) in accordance with Disclosure and Transparency Rule 4.2.8R there have been no transactions involving related parties during the six months to 30 June 2012 and therefore nothing to report with any material effect as a consequence of such a transaction on the financial position or the performance of the Company during that period; and there have been no changes in this position since the last Annual Report that could have a material effect on the financial position or performance of the Company in the first six months of the current financial year.

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 26 July 2012 and the above responsibility statement was signed on its behalf by David Robins, Chairman.

## Twenty Largest Investments (including derivatives) as at 30 June 2012

	Exposure £'000	Fair Value <sup>1</sup> £'000	Total Exposure % <sup>2</sup>
<b>Sekisui Chemical*</b> Engages in housing construction; produces housing materials, high-performance plastic segments and flat panel displays	2,853	771	3.9
<b>M3*</b> Provides medical related internet services	2,650	752	3.6
<b>Takata*</b> Develops and manufactures safety products for automobiles	2,558	(464)	3.5
<b>Kakaku.com*</b> Provides price comparison services and product information	2,470	409	3.3
<b>Maruwa</b> Manufactures ceramic electronic components	2,123	2,123	2.9
<b>GMO Payment Gateway</b> Engages in the provision of payment processing services	1,959	1,959	2.7
<b>CyberAgent</b> Engages in internet media services	1,782	1,782	2.4
<b>Bit-Isle</b> Provides information technology services	1,695	1,695	2.3
<b>LIXIL Group</b> Produces building materials and related equipment	1,679	1,679	2.3
<b>Hitachi High Technologies</b> Manufactures high-tech devices	1,616	1,616	2.2
<b>Sumitomo Rubber*</b> Produces a wide range of rubber based products	1,445	172	2.0
<b>Honeys</b> Manufactures and retails clothing	1,416	1,416	1.9
<b>Hitachi Chemical</b> Manufactures chemicals	1,308	1,308	1.8
<b>Nifco</b> Manufactures industrial plastic parts and components	1,301	1,301	1.8
<b>JSP</b> Manufactures a wide range of foamed plastic products	1,219	1,219	1.6
<b>1st Holdings</b> Provides software services	1,207	1,207	1.6

\* Holding by way of CFD

## Twenty Largest Investments (including derivatives) as at 30 June 2012

	Exposure £'000	Fair Value <sup>1</sup> £'000	Total Exposure % <sup>2</sup>
<b>Disco</b>			
Manufactures precision machinery and diamond products	1,204	1,204	1.6
<b>Hitachi Metals</b>			
Manufactures and markets high-grade metal products and materials	1,130	1,130	1.5
<b>GS Yuasa</b>			
Produces power sports batteries	1,125	1,125	1.5
<b>Sumitomo Electric Industries</b>			
Manufactures electric wire and optical fibre cables	1,110	1,110	1.5
<b>Twenty largest investments</b>	<b>33,850</b>	<b>23,514</b>	<b>45.9</b>
<b>Other investments</b>	<b>39,902</b>	<b>33,779</b>	<b>54.1</b>
<b>Total Portfolio (including derivatives)</b>	<b>73,752</b>	<b>57,293</b>	<b>100.0</b>

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

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# Income Statement

		for the six months ended 30.06.12 unaudited		
	Notes	revenue £'000	capital £'000	total £'000
(Losses)/gains on investments designated at fair value through profit or loss		-	(2,671)	(2,671)
Gains/(losses) on derivative instruments held at fair value through profit or loss		-	1,720	1,720
Income	2	728	-	728
Investment management fee		(389)	-	(389)
Other expenses		(196)	-	(196)
Exchange gains/(losses) on other net assets		20	(199)	(179)
<b>Net return/(loss) before finance costs and taxation</b>		163	(1,150)	(987)
Finance costs		(40)	-	(40)
<b>Net return/(loss) on ordinary activities before taxation</b>		123	(1,150)	(1,027)
Taxation on return/(loss) on ordinary activities	3	(38)	-	(38)
<b>Net return/(loss) on ordinary activities after taxation</b>		85	(1,150)	(1,065)
<b>Return/(loss) per ordinary share</b>				
Undiluted	4	0.09p	(1.18p)	(1.09p)
Diluted	4	n/a	n/a	n/a

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.

for the year ended 31.12.11 audited			for the six months ended 30.06.11 unaudited		
revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
-	(4,114)	(4,114)	-	315	315
-	(312)	(312)	-	1,417	1,417
1,445	-	1,445	767	-	767
(830)	-	(830)	(415)	-	(415)
(441)	-	(441)	(241)	-	(241)
4	483	487	5	36	41
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
178	(3,943)	(3,765)	116	1,768	1,884
(83)	-	(83)	(39)	-	(39)
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95	(3,943)	(3,848)	77	1,768	1,845
(75)	-	(75)	(41)	-	(41)
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20	(3,943)	(3,923)	36	1,768	1,804
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0.02p	(4.06p)	(4.04p)	0.04p	1.82p	1.86p
0.02p	(4.04p)	(4.02p)	0.04p	1.81p	1.85p
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# Reconciliation of Movements in Shareholders' Funds

	Note	share capital £'000
<b>Opening shareholders' funds: 1 January 2011</b>		24,872
Issue of ordinary shares on the exercise of rights attached to subscription shares	6	418
Exercise of rights attached to subscription shares and conversion into ordinary shares	6	(84)
Net return on ordinary activities after taxation for the period		-
<b>Closing shareholders' funds: 30 June 2011</b>		<u>25,206</u>
<b>Opening shareholders' funds: 1 January 2011</b>		24,872
Issue of ordinary shares on the exercise of rights attached to subscription shares	6	441
Exercise of rights attached to subscription shares and conversion into ordinary shares	6	(88)
Net (loss)/return on ordinary activities after taxation for the year		-
<b>Closing shareholders' funds: 31 December 2011</b>		<u>25,225</u>
Issue of ordinary shares on the exercise of rights attached to subscription shares	6	2
Exercise of rights attached to subscription shares and conversion into ordinary shares	6	(1)
Repurchase of ordinary shares	6	(63)
Net (loss)/return on ordinary activities after taxation for the period		-
<b>Closing shareholders' funds: 30 June 2012</b>		<u>25,163</u>



share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
81	2,437	57,955	(6,421)	(13,436)	65,488
501	-	-	-	-	919
84	-	-	-	-	-
-	-	-	1,768	36	1,804
<u>666</u>	<u>2,437</u>	<u>57,955</u>	<u>(4,653)</u>	<u>(13,400)</u>	<u>68,211</u>
81	2,437	57,955	(6,421)	(13,436)	65,488
529	-	-	-	-	970
88	-	-	-	-	-
-	-	-	(3,943)	20	(3,923)
<u>698</u>	<u>2,437</u>	<u>57,955</u>	<u>(10,364)</u>	<u>(13,416)</u>	<u>62,535</u>
2	-	-	-	-	4
1	-	-	-	-	-
-	63	(129)	-	-	(129)
-	-	-	(1,150)	85	(1,065)
<u>701</u>	<u>2,500</u>	<u>57,826</u>	<u>(11,514)</u>	<u>(13,331)</u>	<u>61,345</u>

# Balance Sheet

	Notes	30.06.12 unaudited £'000	31.12.11 audited £'000	30.06.11 unaudited £'000
<b>Fixed assets</b>				
Investments designated at fair value through profit or loss		56,168	58,807	63,925
<b>Current assets</b>				
Derivative assets held at fair value through profit or loss	5	2,435	2,202	2,973
Debtors		815	797	306
Cash at bank		3,898	4,056	3,042
		7,148	7,055	6,321
<b>Creditors</b>				
Derivative liabilities held at fair value through profit or loss	5	(1,310)	(2,211)	(739)
Other creditors		(661)	(1,116)	(1,296)
		(1,971)	(3,327)	(2,035)
<b>Net current assets</b>		5,177	3,728	4,286
<b>Total net assets</b>		61,345	62,535	68,211
<b>Capital and reserves</b>				
Share capital	6	25,163	25,225	25,206
Share premium account		701	698	666
Capital redemption reserve		2,500	2,437	2,437
Other reserve		57,826	57,955	57,955
Capital reserve		(11,514)	(10,364)	(4,653)
Revenue reserve		(13,331)	(13,416)	(13,400)
<b>Total equity shareholders' funds</b>		61,345	62,535	68,211
<b>Net asset value per ordinary share</b>				
Undiluted	7	63.11p	64.17p	70.06p
Diluted	7	61.89p	62.79p	67.79p

# Cash Flow Statement

	30.06.12 unaudited £'000	31.12.11 audited £'000	30.06.11 unaudited £'000
<b>Operating activities</b>			
Investment income received	388	1,017	540
CFD dividends received	120	332	166
Investment management fee paid	(412)	(870)	(423)
Directors' fees paid	(115)	(137)	(71)
Other cash payments	(226)	(227)	(106)
<b>Net cash (outflow)/inflow from operating activities</b>	<u>(245)</u>	<u>115</u>	<u>106</u>
<b>Finance costs</b>			
Interest paid on long CFDs	(40)	(85)	(40)
<b>Net cash outflow from finance costs</b>	<u>(40)</u>	<u>(85)</u>	<u>(40)</u>
<b>Financial investment</b>			
Purchase of investments	(18,319)	(58,309)	(35,134)
Disposal of investments	18,242	58,235	34,757
<b>Net cash outflow from financial investment</b>	<u>(77)</u>	<u>(74)</u>	<u>(377)</u>
<b>Derivative activities</b>			
Proceeds from long CFD positions closed	586	1,673	1,159
<b>Net cash inflow from derivative activities</b>	<u>586</u>	<u>1,673</u>	<u>1,159</u>
<b>Net cash inflow before financing</b>	<u>224</u>	<u>1,629</u>	<u>848</u>
<b>Financing</b>			
Exercise of rights attached to subscription shares	4	971	916
Repurchase of ordinary shares	(129)	-	-
<b>Net cash (outflow)/inflow from financing</b>	<u>(125)</u>	<u>971</u>	<u>916</u>
<b>Increase in cash</b>	<u>99</u>	<u>2,600</u>	<u>1,764</u>
<b>Reconciliation of net cash movements to movements in net funds</b>			
<b>Net funds at the beginning of the period</b>	<u>4,056</u>	<u>1,237</u>	<u>1,237</u>
Net cash	99	2,600	1,764
Exchange movements	(257)	219	41
<b>Change in net funds</b>	<u>(158)</u>	<u>2,819</u>	<u>1,805</u>
<b>Net funds at the end of the period</b>	<u>3,898</u>	<u>4,056</u>	<u>3,042</u>

# 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 2011.

	30.06.12 unaudited £'000	31.12.11 audited £'000	30.06.11 unaudited £'000
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## 2 INCOME

### Income from investments designated at fair value through profit or loss

Overseas dividends	541	1,099	579
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### Income from derivatives held at fair value through profit or loss

Dividends on long CFDs	187	346	188
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### Total income

	<u>728</u>	<u>1,445</u>	<u>767</u>
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	30.06.12 unaudited £'000	31.12.11 audited £'000	30.06.11 unaudited £'000
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## 3 TAXATION ON RETURN ON ORDINARY ACTIVITIES

Overseas taxation suffered	<u>38</u>	<u>75</u>	<u>41</u>
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# Notes to the Financial Statements

## 4 RETURN/(LOSS) PER ORDINARY SHARE

	30.06.12 unaudited		
	revenue £'000	capital £'000	total £'000
Undiluted	0.09p	(1.18p)	(1.09p)
Diluted	n/a	n/a	n/a

The return/(loss) per ordinary share is based on the return/(loss) on ordinary activities after taxation for the period and the weighted average number of ordinary shares in issue during the period.

### Net return/(loss) on ordinary activities after taxation – undiluted

85	(1,150)	(1,065)
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### Weighted average number of ordinary shares in issue during the period

Undiluted	97,412,746	97,412,746	97,412,746
Diluted	n/a	n/a	n/a

There was no diluted return/(loss) per ordinary share for the six months to 30 June 2012 because the average ordinary share price for the period was below the exercise price of the rights attaching to the subscription shares.

The total undiluted total loss per ordinary share for the six months ended 30 June 2012 of 1.09 pence is greater than the decrease in the undiluted NAV per ordinary share during the period of 1.06 pence (see page 2) because the former is based on the weighted average number of ordinary shares in issue during the period, whereas the latter includes the full enhancement to the NAV per share due to the net share repurchases during the period.

	31.12.11 audited		
	revenue £'000	capital £'000	total £'000
Undiluted	0.02p	(4.06p)	(4.04p)
Diluted	0.02p	(4.04p)	(4.02p)

The return/(loss) per ordinary share is based on the return/(loss) on ordinary activities after taxation for the period and the weighted average number of ordinary shares in issue during the year.

### Net return/(loss) on ordinary activities after taxation – undiluted and diluted

20	(3,943)	(3,923)
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### Weighted average number of ordinary shares in issue during the year

Undiluted	97,224,897	97,224,897	97,224,897
Diluted	97,532,957	97,532,957	97,532,957

# Notes to the Financial Statements

## 4 RETURN/(LOSS) PER ORDINARY SHARE continued

	30.06.11 unaudited		
	revenue £'000	capital £'000	total £'000
Undiluted	0.04p	1.82p	1.86p
Diluted	0.04p	1.81p	1.85p

The return per ordinary share is based on the return on ordinary activities after taxation for the period and the weighted average number of ordinary shares in issue during the period.

### Net return on ordinary activities after taxation

- undiluted and diluted	36	1,768	1,804
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### Weighted average number of ordinary shares in issue during the period

Undiluted	97,024,603	97,024,603	97,024,603
Diluted	97,511,524	97,511,524	97,511,524

## 5 DERIVATIVE INSTRUMENTS

At the period end the Company held the following CFDs.

	30.06.12		31.12.11		30.06.11	
	fair value £'000	exposure £'000	fair value £'000	exposure £'000	fair value £'000	exposure £'000
Long CFDs - assets	2,435	11,393	2,202	10,591	2,973	14,025
Long CFDs - liabilities	(1,310)	6,191	(2,211)	7,625	(739)	6,333
	1,125	17,584	(9)	18,216	2,234	20,358



# Notes to the Financial Statements

## 6 SHARE CAPITAL continued

	30.06.11 unaudited	
	Shares	£'000
<b>Issued, allotted and fully paid:</b>		
<b>Ordinary shares of 25 pence each</b>		
<b>Beginning of the period</b>	95,684,520	23,921
Issue of ordinary shares on the exercise of rights attached to subscription shares	1,670,697	418
<b>End of the period</b>	<u>97,355,217</u>	<u>24,339</u>
<b>Issued, allotted and fully paid:</b>		
<b>Subscription shares of 5 pence each*</b>		
<b>Beginning of the period</b>	19,008,314	951
Exercise of rights attached to subscription shares and conversion into ordinary shares	(1,670,697)	(84)
<b>End of the period</b>	<u>17,337,617</u>	<u>867</u>
<b>Total share capital</b>		<u>25,206</u>

\* The subscription shares were issued as a bonus issue to ordinary shareholders on 11 November 2009 on the basis of one subscription share for every five ordinary shares held. Each subscription share gives the holder the right, but not the obligation, to subscribe for one ordinary share upon payment of the subscription price of 55 pence per subscription share, on the last business day of each month, commenced in February 2010 and finishing on the last business day of February 2013. Full details of the procedure relating to the exercise of the rights attaching to any remaining subscription shares in issue after 28 February 2013 are given in the Chairman's Statement on page 4.



# Notes to the Financial Statements

## 7 NET ASSET VALUE PER ORDINARY SHARE

The undiluted net asset value per ordinary share is based on net assets of £61,345,000 (31.12.11: £62,535,000; 30.06.11: £68,211,000) and on 97,205,877 (31.12.11: 97,447,975; 30.06.11: 97,355,217) ordinary shares, being the number of ordinary shares in issue at the period end.

The diluted net asset value per ordinary share has been calculated on the basis of what the financial position would have been if all the rights attaching to the outstanding subscription shares of 17,236,957 (31.12.11: 17,244,859; 30.06.11: 17,337,617) had been exercised on that date. This basis of calculation is in accordance with guidelines laid down by the Association of Investment Companies. Undiluted and diluted net asset values per ordinary share are provided to the London Stock Exchange on a daily basis.

## 8 INVESTMENT TRANSACTION COSTS

Transaction costs are incurred in 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:

	30.06.12 unaudited £'000	31.12.11 audited £'000	30.06.11 unaudited £'000
Purchases	24	60	37
Sales	23	64	36
	<u>47</u>	<u>124</u>	<u>73</u>

## 9 UNAUDITED FINANCIAL STATEMENTS

The results for the six months to 30 June 2012 and 30 June 2011, 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 2011 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.

# Investor 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](http://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 Registrars, Registrars to Fidelity Japanese Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Telephone: 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open 8.30am to 5.30pm, Monday to Friday).

Email: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

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

### Fidelity Share Plan investors

Fidelity Investment Trust Share Plan, PO Box 24035, 12 Blenheim Place, Edinburgh EH7 9DD.  
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

Fidelity, using the freephone numbers given opposite, or by writing to: UK Customer Service, Fidelity Worldwide Investment, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ.

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

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

Telephone: 01732 36 11 44

Fax: 01737 83 68 92

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

## FINANCIAL CALENDAR

- |                         |                                       |
|-------------------------|---------------------------------------|
| <b>30 June 2012</b>     | - Half-Yearly period end              |
| <b>26 July 2012</b>     | - Announcement of Half-Yearly results |
| <b>Mid August 2012</b>  | - Publication of Half-Yearly report   |
| <b>31 December 2012</b> | - Financial year end                  |
| <b>March/April 2013</b> | - Publication of Annual Report        |
| <b>May 2013</b>         | - Annual General Meeting              |

## BOARD OF DIRECTORS

David Robins (Chairman)  
Sir Laurie Magnus (Audit Committee Chairman)  
Nicholas Barber, CBE (Senior Independent Director)  
Simon Fraser  
Phillip Kay  
David Miller, OBE

## MANAGER, SECRETARY AND REGISTERED OFFICE

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Beech Gate  
Millfield Lane  
Lower Kingswood  
Tadworth  
Surrey  
KT20 6RP

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88 Wood Street  
London  
EC2V 7QR

## INDEPENDENT AUDITOR

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

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London  
EC2Y 5AJ

## REGISTRARS

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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

## BENCHMARK

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

## CONTRACT FOR DIFFERENCE (CFD)

A [Contract For Difference](#) is a [derivative](#). It is a contract between the Company and a third party at the end of which the parties exchange the difference between the opening price and the closing price of an underlying asset (which, for the Company's CFDs are equity shares, which the Company might otherwise purchase directly). 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 only uses "long" [Contracts for Difference](#). On "long" [Contracts for Difference](#), dividends are received and interest is paid.

## DERIVATIVES

Financial instruments (such as futures, options and [Contracts For Difference](#)) whose value is derived from the value of an underlying asset.

## DISCOUNT

If the share price of the Company is lower than the [net asset value](#) per share, the Company's shares are said to be trading at a [discount](#). The [discount](#) is shown as a percentage of the [net asset value](#). The opposite of a [discount](#) is a [premium](#). It is more common for an investment trust 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 prices, where available, otherwise at published price quotations;
- Unlisted investments valued using an appropriate valuation technique in the absence of an active market;
- [Contracts For Difference](#) are 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 OR GEARING EXPOSURE

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

## NET ASSET VALUE (NAV)

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

## 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**.

## RETURN

The return generated in the period from the investments:

- **Income Return** reflects the dividends and interest from investments and other income net of expenses, finance costs and taxation;
- **Capital Return** reflects the return on capital, excluding any income returns;
- **Total Return** reflects the aggregate of capital and income returns in the period.

## SHARE REPURCHASES

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

# Glossary of Terms

## SHAREHOLDERS' FUNDS

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

## TOTAL PORTFOLIO EXPOSURE

The total of 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).

# 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 Services Authority (FSA) 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 FSA Register at [www.fsa.gov.uk/fsaregister](http://www.fsa.gov.uk/fsaregister) to ensure they are authorised.
3. Use the details on the FSA Register to contact the firm.
4. Call the FSA Consumer Helpline on **0845 606 1234** if there are no contact details on the Register or you are told they are out of date.
5. Search our 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 FSA using the share fraud reporting form at [www.fsa.gov.uk/scams](http://www.fsa.gov.uk/scams), where you can find out about the latest investment scams. You can also call the Consumer Helpline on **0845 606 1234**.

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

**0300 123 2040**









## **FURTHER INFORMATION**

The Fidelity Individual Savings Account (“ISA”) is offered and managed by Financial Administration Services Limited. The Fidelity Investment Trust Share Plan is managed by FIL Investments International. Both companies are authorised and regulated by the Financial Services 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. Fidelity investment trusts are managed by FIL Investments International. Fidelity only gives information about its own products and services and does not provide investment advice based on individual circumstances. Should you wish to seek advice, please contact a Financial Adviser.

Issued by Fidelity Japanese Values PLC.

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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