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This document comprises a prospectus relating to Fidelity Japanese Values PLC prepared in accordance with the Prospectus Rules made under section 84 of the Financial Services and Markets Act 2000 (“FSMA”) in order to make an offer of transferable securities to the public and to admit the transferable securities to trading on the London Stock Exchange. This document has been approved by and filed with the Financial Conduct Authority in accordance with the Prospectus Rules. This document and the information herein relates expressly to the Subscription Shares. If you sell or have sold or otherwise transferred all of your Ordinary Shares, please send this document, Form of Proxy and/or Voting Instruction Form at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom or by whom the sale or transfer was made, for delivery to the purchaser or transferee. The distribution of this document and/or the accompanying documents in jurisdictions other than the UK, including the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa, may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction. Application will be made to the Financial Conduct Authority for the Subscription Shares to be admitted to the standard segment of the Official List. Application will also be made to the London Stock Exchange for all such Subscription Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities.

Canaccord Genuity Limited (“**Canaccord Genuity**”), which is authorised and regulated by the Financial Conduct Authority, is acting for the Company in connection with the Bonus Issue and the contents of this document and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Canaccord Genuity or for advising any such person in connection with the Bonus Issue and the contents of this document. Canaccord Genuity is not responsible for the contents of this document. This does not exclude or limit any responsibility which Canaccord Genuity may have under the FSMA or the regulatory regime established thereunder.

FIDELITY JAPANESE VALUES PLC

(Incorporated in England and Wales with company number 2885584 and registered as an investment company under section 833 of the 2006 Act)

BONUS ISSUE OF UP TO 22,790,966 SUBSCRIPTION SHARES

AND

NOTICE OF GENERAL MEETING TO CONSIDER PROPOSALS FOR THE BONUS ISSUE AND ADOPTION OF NEW ARTICLES OF ASSOCIATION

This document is to be read in conjunction with all documents which are incorporated by reference and should be read in its entirety before making any decision. In particular, your attention is drawn to the letter from the Chairman of the Company that is set out on pages 30 to 35 of this document. Your attention is also drawn to the Risk Factors section set out in this document.

It is expected that Admission will become effective and that dealings in the Subscription Shares on the London Stock Exchange’s main market for listed securities will commence on or around 28 August 2014.

Notice of a General Meeting of the Company to be held at 25 Cannon Street, London EC4M 5TA on 26 August 2014 at 4.00 p.m. is set out at the end of this document. The Bonus Issue described in this document is conditional upon Shareholder approval of the Resolution at the General Meeting. Shareholders are requested to complete and return their Form(s) of Proxy and/or Voting Instruction Form(s).

To be valid, Forms of Proxy for use at the General Meeting must be completed and returned in accordance with the instructions printed thereon to the Company’s Registrars, or delivered by hand during office hours only to Capita Asset Services at PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF as soon as possible and in any event so as to arrive by not later than 4.00 p.m. on 21 August 2014.

Voting Instruction Forms are enclosed for use by individuals who hold some or all of their Ordinary Shares through one or both of the Savings Schemes. To be valid, Voting Instruction Forms must be completed and returned in accordance with the instructions printed thereon to the Company’s Registrars, Capita Asset Services at PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF as soon as possible and in any event so as to arrive by not later than 4.00 p.m. on 18 August 2014.

The Ordinary Shares are not, and the Subscription Shares will not be, registered under the Securities Act or under the relevant laws of any State of the United States or any state, province or territory of Australia, Canada, Japan, New Zealand or the Republic of South Africa. Subject to certain exceptions, the Subscription Shares issued under the Bonus Issue may not, directly or indirectly, be offered, sold, taken up, delivered or transferred in or into the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa or to, or for the account or benefit of, US Persons (as defined in Regulation S of the Securities Act). The Subscription Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed comment upon or endorsed the merits of the Bonus Issue or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States. The attention of Overseas Shareholders and other recipients of this document who are residents or citizens of any country outside the EEA is drawn to the section entitled “Overseas Shareholders” in Part I of this document.

Prospective investors should inform themselves as to (a) the possible tax consequences; (b) the legal requirements; and (c) any foreign exchange restrictions or exchange control requirements, which they might encounter under the laws of the countries of their citizenship, residence or domicile, and which might be relevant to the subscription for, holding or disposal of Subscription Shares or the exercise of the Subscription Share Rights.

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SUMMARY

Summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in Sections A-E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

Section A – Introduction and Warnings

Element	Disclosure requirement	Disclosure
A1	Warning	This summary section should be read as an introduction to this Prospectus. Any decision to invest in the securities should be based on a consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national legislation of the EEA States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A2	Consent for resale	Not Applicable. The Company has not given its consent to the use of this Prospectus for subsequent resale or final placement of securities by financial intermediaries.

Section B – Issuer

Element	Disclosure requirement	Disclosure
B1	Legal and commercial name	Fidelity Japanese Values plc
B2	Domicile and legal form	The Company is incorporated in England and Wales with company number 02885584 and registered as an investment company under section 833 of the 2006 Act.
B5	Group description	No applicable. The Company is not part of a group.

B6	Major Shareholders	<p>As at 18 July 2014 (being the latest practicable date before publication of this Prospectus) insofar as known to the Company, the following parties had declared a notifiable interest in the Company's voting rights (under the Disclosure and Transparency Rules):</p> <table border="0" data-bbox="517 313 1388 526"> <thead> <tr> <th style="text-align: left;"><i>Shareholder</i></th> <th style="text-align: right;"><i>Number of Ordinary Shares</i></th> <th style="text-align: right;"><i>% of voting rights</i></th> </tr> </thead> <tbody> <tr> <td>FIL Limited</td> <td style="text-align: right;">21,646,178</td> <td style="text-align: right;">18.99</td> </tr> <tr> <td>1607 Capital Partners LLC</td> <td style="text-align: right;">14,775,177</td> <td style="text-align: right;">12.97</td> </tr> <tr> <td>Lazard Asset Management</td> <td style="text-align: right;">9,865,551</td> <td style="text-align: right;">11.16</td> </tr> </tbody> </table> <p>All Shareholders have the same voting rights in respect of the share capital of the Company. The Company and the Directors are not aware of any person, who directly or indirectly, jointly or severally, exercises or could exercise control over the Company. The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.</p>	<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>% of voting rights</i>	FIL Limited	21,646,178	18.99	1607 Capital Partners LLC	14,775,177	12.97	Lazard Asset Management	9,865,551	11.16																																				
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B7	Key Financial Information	<p>The key figures that summarise the Company's financial condition for the periods ended 31 December 2011, 2012 and 2013 are set out below:</p> <table border="0" data-bbox="517 862 1388 1467"> <thead> <tr> <th></th> <th colspan="3" style="text-align: center;"><i>As at or for the year ended 31 December (audited)</i></th> </tr> <tr> <th></th> <th style="text-align: center;"><i>2011</i></th> <th style="text-align: center;"><i>2012</i></th> <th style="text-align: center;"><i>2013</i></th> </tr> </thead> <tbody> <tr> <td>Net assets (£'000)</td> <td style="text-align: right;">62,535</td> <td style="text-align: right;">58,034</td> <td style="text-align: right;">90,042</td> </tr> <tr> <td>NAV per share – undiluted (pence)</td> <td style="text-align: right;">64.17</td> <td style="text-align: right;">59.94</td> <td style="text-align: right;">79.02</td> </tr> <tr> <td colspan="4"><i>Revenue Return</i></td> </tr> <tr> <td>Total income (£'000)</td> <td style="text-align: right;">1,445</td> <td style="text-align: right;">1,289</td> <td style="text-align: right;">1,440</td> </tr> <tr> <td>Net return/(loss) (£'000)</td> <td style="text-align: right;">20</td> <td style="text-align: right;">(55)</td> <td style="text-align: right;">(331)</td> </tr> <tr> <td>Return/(loss) per share – undiluted</td> <td style="text-align: right;">0.02</td> <td style="text-align: right;">(0.06)</td> <td style="text-align: right;">(0.30)</td> </tr> <tr> <td>Dividend per share (pence)</td> <td style="text-align: right;">Nil</td> <td style="text-align: right;">Nil</td> <td style="text-align: right;">Nil</td> </tr> <tr> <td colspan="4"><i>Total Return</i></td> </tr> <tr> <td>Net (loss)/return (£'000)</td> <td style="text-align: right;">(3,923)</td> <td style="text-align: right;">(4,180)</td> <td style="text-align: right;">22,612</td> </tr> <tr> <td>Net (loss)/return per share – undiluted (pence)</td> <td style="text-align: right;">(4.04)</td> <td style="text-align: right;">(4.30)</td> <td style="text-align: right;">20.34</td> </tr> </tbody> </table> <p>During the period since 1 January 2011, all rights attaching to the remaining 19,115,381 subscription shares issued by the Company as a bonus issue on 11 November 2009 were exercised at the exercise price of 55 pence per share.</p> <p>There has otherwise been no significant change in the financial condition or operating results of the Company during the three financial years ended 31 December 2011, 2012 and 2013 or the period since 31 December 2013, being the date to which the latest audited yearly results of the Company were published.</p>		<i>As at or for the year ended 31 December (audited)</i>				<i>2011</i>	<i>2012</i>	<i>2013</i>	Net assets (£'000)	62,535	58,034	90,042	NAV per share – undiluted (pence)	64.17	59.94	79.02	<i>Revenue Return</i>				Total income (£'000)	1,445	1,289	1,440	Net return/(loss) (£'000)	20	(55)	(331)	Return/(loss) per share – undiluted	0.02	(0.06)	(0.30)	Dividend per share (pence)	Nil	Nil	Nil	<i>Total Return</i>				Net (loss)/return (£'000)	(3,923)	(4,180)	22,612	Net (loss)/return per share – undiluted (pence)	(4.04)	(4.30)	20.34
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B8	Key <i>pro forma</i> financial information	Not applicable. No <i>pro forma</i> financial information included.																																																
B9	Profit forecast	Not applicable. No profit forecast or estimate made.																																																

B10	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. There are no qualifications in the audit report of the historical financial information.
B11	Explanation if working capital not sufficient for present requirements	Not applicable. In the Company's opinion, the Company has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of this Prospectus.
B34	Investment objective and policy	<p>The Company's investment objective 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.</p> <p>The markets in which the Company may invest will comprise primarily the Tokyo Stock Exchange, the JASDAQ and the regional stockmarkets of Fukuoka, Nagoya, Osaka and Sapporo. In order to diversify the Company's portfolio, the Board has set guidelines for the Manager to restrict investment to a maximum of 7.5 per cent. in the aggregate of all securities of any one company or other investment entity (10 per cent. for any group of companies) at the time of purchase, which is further limited to 12 per cent. of the Company's equity portfolio based on the latest market value.</p> <p>The Company may invest up to 5 per cent. of its assets (at the time of acquisition) in securities which are not listed on any stock exchange or traded on the JASDAQ market, but the Company would not normally make any such investment except where the Manager expects that the securities would shortly become registered for trading on the OTC market or become listed on a Japanese stockmarket.</p> <p>The Company is permitted to invest up to 30 per cent. of its assets (at the time of acquisition) in equity-related and debt instruments. The Company may also invest in derivatives for efficient portfolio management to protect the portfolio against market risk. However, any such investment would normally be at a low level and the Company would primarily invest in shares.</p> <p>A maximum of 15 per cent. of the Company's total assets may be invested in the securities of other investment trust companies.</p> <p>The Company's investment policy was amended on 10 November 2009 to permit gearing through Contracts for Difference ("CFDs") following the repayment of the Company's bank loans.</p> <p>The Company's policy is to be geared in the belief that long term investment returns will exceed the cost of gearing. This gearing is obtained through the use of borrowing and/or through the use of CFDs to obtain exposure to Japanese equities selected by the Manager. The effect of gearing is to magnify the consequence of market movements on the portfolio and if the portfolio value rises the NAV will be positively impacted, but if it falls the NAV will be adversely impacted. The Board is responsible for the level of gearing in the Company and reviews the</p>

		<p>position on a regular basis. The aggregate exposure of the Company to Japanese equities, whether held directly or through CFDs, will not exceed shareholders' funds by more than 30 per cent. at the time at which any CFD is entered into or a security acquired. The Board also intends that the exposure will not exceed shareholders' funds by more than 40 per cent. at any other time unless exceptional circumstances exist.</p> <p>The majority of the Company's exposure to Japanese equities will be through direct investment, not CFDs. In addition, the limits on exposure to individual companies and groups set out above will be calculated as if the Company had acquired the securities to which any CFD is providing exposure (i.e. on a total exposure basis).</p> <p>Investment in Japanese equities achieved through borrowings and/or CFDs will be subject to the acquisition and holding limits set out above.</p> <p>Generally, the maximum that the Company will hold in cash will be 25 per cent. of the total value of the Company's assets, but this limit will not include any cash or cash equivalent paid as collateral for unrealised losses on CFDs. In practice the cash position will normally be much lower.</p> <p>The spread of risk within the Company's portfolio is achieved by having exposure to a wide range of stocks which are chosen on their individual merits.</p>
B35	Borrowing limits	<p>The Company may, from time to time, use borrowings to gear its portfolio investments. Under the Articles, save with the previous sanction of an ordinary resolution, no money may be borrowed if the aggregate principal amount outstanding of all borrowings then exceeds, or would as a result of such borrowing exceed, an amount equal to twice the adjusted capital and reserves. The Company currently gears through the use of CFDs. The Board is responsible for the level of gearing. The aggregate exposure of the Company to Japanese equities will not exceed Shareholders' funds by more than 30 per cent. at the time when any CFD is entered into or security acquired. The Board also intends that the exposure will not exceed Shareholders' funds by more than 40 per cent. at any other time unless exceptional circumstances exist.</p>
B36	Regulatory status	<p>As an investment trust, the Company is not regulated as a collective investment scheme by the Financial Conduct Authority. However, as a company listed on the Official List, it is subject to the Listing Rules of the UK Listing Authority, the Prospectus Rules and the Disclosure and Transparency Rules.</p> <p>The Company is an alternative investment fund for the purposes of the Alternative Investment Fund Managers Directive. As such the Company is required to appoint a properly authorised alternative investment fund manager and a depositary and will need to make certain disclosures to investors and to the FCA in addition to those required due to its listing. The FCA have confirmed that they are minded to approve FISL's application to be authorised as an alternative investment fund manager, so that it is able to become the AIFM with effect from 22 July 2014. The Depositary, which has been approved by the FCA as an alternative investment fund depositary, has been appointed with effect from 22 July 2014.</p>

B37	Typical investors	The typical investors for whom an investment in the Company is intended are professionally advised private investors (including retail investors), or institutional investors, seeking long term capital growth from investment in small and medium sized Japanese companies. An investment in the Company may also be suitable for financially sophisticated private investors who are not professionally advised but are capable of evaluating the risks and merits of an investment in the Company and who have sufficient resources to bear any loss that may result from such an investment. However, such investors should consider consulting an independent financial adviser authorised under FSMA before investing.
B38	Investment of 20 per cent. or more in single underlying asset or investment company	Not applicable. No single investment has or will represent more than 20 per cent. of the NAV of the Company at the time of investment.
B39	Investment of 40 per cent. or more in single underlying asset or investment company	Not applicable. No single investment has or will represent more than 40 per cent. of the NAV of the Company at the time of investment.
B40	Applicant's service providers	<p><i>Manager</i></p> <p>Up to 22 July 2014, the Manager provided investment management services under the Management Agreement for a fee of an amount equal to 0.85 per cent. per annum (exclusive of VAT) of the value of the Company's Total Asset Value (being the amount or value of the assets of the Company at that date, less the aggregate amount of current liabilities of the Company), calculated on the last business day of December, March, June and September and payable quarterly in arrears seven days after each such business day.</p> <p>In addition, the Company paid to the Manager an index-lined fee for secretarial and administrative services, payable quarterly in arrears, at the current rate (31 December 2013) of £43,000 per annum.</p> <p>The Manager also provides certain other services, such as marketing and administration, including in connection with the Fidelity Investment Trust Share Plan and the Fidelity Individual Savings Account. Fees payable in respect of these services for the financial year ended 31 December 2013 were £100,000.</p> <p><i>AIFM</i></p> <p>With effect from 22 July 2014, the AIFM Agreement replaces the Management Agreement and FISL has been appointed as the AIFM to the Company. FISL is a company incorporated in England and Wales on 2 May 1986 as a private company with registered number 2016555. The Manager will continue to provide portfolio management and company secretarial services and the fees payable will be the same under the AIFM Agreement as they were under the Management Agreement. FISL and the Manager are both part of the FIL Limited group of companies.</p>

		<p><i>Custodian</i></p> <p>The Custodian is entrusted with the safe custody of the assets of the Company. In particular, it carries out all usual duties relating to cash and securities and, in addition, may delegate such duties to sub-custodians. The Custodian will use reasonable care in the selection and appointment of sub-custodians.</p> <p>The Company will pay and the Custodian will receive a fee for its services (under the Global Custody Agreement with effect from 22 July 2014) together with the Custodian's reasonable out-of-pocket or incidental expenses. The amount, as may be agreed upon in writing, may only be increased by the Custodian upon giving at least 30 days' written notice to the Company. Fees payable in respect of these services for the financial year ended 31 December 2013 were £13,000.</p> <p><i>Depository</i></p> <p>With effect from 22 July 2014, J.P. Morgan Europe Limited has been appointed as the depository of the Company. J.P. Morgan Europe Limited is a company incorporated in England and Wales on 18 September 1986 as a private company with registered number 0938937. The Depository is entitled to an annual fee equal to 0.01 per cent of the NAV of the Company for providing the depository services. Based on the NAV of the Company as at 18 July 2014 (being the latest practicable date prior to the publication of this Prospectus), this corresponds to a fee of £9,000.</p> <p><i>Registrar</i></p> <p>The Registrar is responsible for providing share registration services to the Company services under the terms of a registrar agreement. These services include the maintenance of the Company's register of members, the maintenance of the Corporate Portal and the provision of the Shareholder Web Portal.</p> <p>The Company has agreed to pay quarterly fees to the Registrar in consideration for the services received. The most recent annual fees of the Registrar for registrar services were £31,000 (excluding VAT).</p> <p>Fees may be increased by the Registrar upon 30 days' written notice to the Company. The revised fee will apply from the expiry of the 30 day period.</p>
B41	Regulatory status of investment manager, investment adviser and custodian	<p>Both the Manager and the proposed AIFM are authorised and regulated in the United Kingdom by the Financial Conduct Authority.</p> <p>The Custodian and the Depository are authorised by the Prudential Regulation Authority. The Custodian and the Depository are subject to regulation by the Financial Conduct Authority.</p>
B42	Calculation of NAV	<p>The Company publishes its NAV per Ordinary Share each Business Day through a Regulatory Information Service. The NAV per Ordinary Share is calculated by the Manager, acting on behalf of the Company. For the purposes of calculating the NAV per Ordinary Share, the Company's listed investments are valued at bid prices. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value. Where premiums are payable by foreign investors, the market value, for the purpose of the financial statements, includes the premium. Unlisted investments are valued by the Board. In making its valuations the Board takes into account, where</p>

		<p>appropriate, latest dealing prices, valuations from reliable sources, asset values and other relevant factors.</p> <p>The calculation of the NAV per Ordinary Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.</p>																																																																																																																			
B43	Cross liability	Not applicable. The Company is not an umbrella collective investment undertaking and as such there is no cross liability between classes of investments in another collective investments undertaking.																																																																																																																			
B44	No financial statements have been made up	Not applicable. Financial statements have been made up.																																																																																																																			
B45	Portfolio	<p>As at 18 July 2014 (being the latest practicable date prior to the publication of this Prospectus), the Company's portfolio comprised 76 investments and 14 long CFDs across 25 sectors (all in respect of Japanese companies) as follows:</p> <table border="1"> <thead> <tr> <th>Investments</th> <th>Sector</th> <th>Exposure £'000</th> <th>Exposure %¹</th> <th>Fair Value² £'000</th> </tr> </thead> <tbody> <tr> <td>Seria</td> <td>Retail Trade</td> <td>3,516</td> <td>3.2</td> <td>3,516</td> </tr> <tr> <td>Sanix</td> <td>Services</td> <td>3,375</td> <td>3.1</td> <td>3,375</td> </tr> <tr> <td>Wirelessgate</td> <td>Information & Communication</td> <td>3,292</td> <td>3.0</td> <td>3,292</td> </tr> <tr> <td>Tosho</td> <td>Services</td> <td>3,165</td> <td>2.9</td> <td>3,165</td> </tr> <tr> <td>Japan Aviation Electronics Industry</td> <td>Electric Appliances</td> <td>2,489</td> <td>2.3</td> <td>2,489</td> </tr> <tr> <td>N Field</td> <td>Services</td> <td>2,421</td> <td>2.2</td> <td>2,421</td> </tr> <tr> <td>Fuji Kyuko</td> <td>Land Transportation</td> <td>2,409</td> <td>2.2</td> <td>2,409</td> </tr> <tr> <td>Gulliver International</td> <td>Wholesale Trade</td> <td>2,255</td> <td>2.1</td> <td>2,255</td> </tr> <tr> <td>Hamamatsu</td> <td>Electric</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Photonics</td> <td>Appliances</td> <td>2,102</td> <td>1.9</td> <td>2,102</td> </tr> <tr> <td>Stanley Electric</td> <td>Electric Appliances</td> <td>2,093</td> <td>1.9</td> <td>2,093</td> </tr> <tr> <td>Hikari Tsushin</td> <td>Information & Communication</td> <td>1,855</td> <td>1.7</td> <td>1,855</td> </tr> <tr> <td>Brother Industries</td> <td>Electric Appliances</td> <td>1,695</td> <td>1.6</td> <td>1,695</td> </tr> <tr> <td>Nihon Nohyaku</td> <td>Chemicals</td> <td>1,674</td> <td>1.5</td> <td>1,674</td> </tr> <tr> <td>Asahi Intecc</td> <td>Precision Instruments</td> <td>1,579</td> <td>1.5</td> <td>1,579</td> </tr> <tr> <td>Shinmaywa Industries</td> <td>Transportation Equipment</td> <td>1,570</td> <td>1.4</td> <td>1,570</td> </tr> <tr> <td>Aeon Mall</td> <td>Real Estate</td> <td>1,567</td> <td>1.4</td> <td>1,567</td> </tr> <tr> <td>Round One</td> <td>Services</td> <td>1,555</td> <td>1.4</td> <td>1,555</td> </tr> <tr> <td>VT Holdings</td> <td>Retail Trade</td> <td>1,423</td> <td>1.3</td> <td>1,423</td> </tr> <tr> <td>Fujibo Holdings</td> <td>Textiles & Apparels</td> <td>1,418</td> <td>1.3</td> <td>1,418</td> </tr> <tr> <td>AI Holdings</td> <td>Wholesale Trade</td> <td>1,338</td> <td>1.2</td> <td>1,338</td> </tr> <tr> <td>Mobile Create Company</td> <td>Information & Communication</td> <td>1,288</td> <td>1.2</td> <td>1,288</td> </tr> </tbody> </table>	Investments	Sector	Exposure £'000	Exposure %¹	Fair Value² £'000	Seria	Retail Trade	3,516	3.2	3,516	Sanix	Services	3,375	3.1	3,375	Wirelessgate	Information & Communication	3,292	3.0	3,292	Tosho	Services	3,165	2.9	3,165	Japan Aviation Electronics Industry	Electric Appliances	2,489	2.3	2,489	N Field	Services	2,421	2.2	2,421	Fuji Kyuko	Land Transportation	2,409	2.2	2,409	Gulliver International	Wholesale Trade	2,255	2.1	2,255	Hamamatsu	Electric				Photonics	Appliances	2,102	1.9	2,102	Stanley Electric	Electric Appliances	2,093	1.9	2,093	Hikari Tsushin	Information & Communication	1,855	1.7	1,855	Brother Industries	Electric Appliances	1,695	1.6	1,695	Nihon Nohyaku	Chemicals	1,674	1.5	1,674	Asahi Intecc	Precision Instruments	1,579	1.5	1,579	Shinmaywa Industries	Transportation Equipment	1,570	1.4	1,570	Aeon Mall	Real Estate	1,567	1.4	1,567	Round One	Services	1,555	1.4	1,555	VT Holdings	Retail Trade	1,423	1.3	1,423	Fujibo Holdings	Textiles & Apparels	1,418	1.3	1,418	AI Holdings	Wholesale Trade	1,338	1.2	1,338	Mobile Create Company	Information & Communication	1,288	1.2	1,288
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Investments	Sector	Exposure £'000	Exposure %¹	Fair Value² £'000
Anicom Holdings	Insurance	1,233	1.1	1,233
Mani	Precision Instruments			
		1,222	1.1	1,222
Daicel	Chemicals	1,211	1.1	1,211
Dai-iIchi Seiko	Electric Appliances			
		1,198	1.1	1,198
Tachi-S	Transportation Equipment			
		1,180	1.1	1,180
OSG	Machinery	1,148	1.1	1,148
Honeys	Retail Trade	1,106	1.0	1,106
Kyowa Exeo	Construction	1,085	1.0	1,085
EPS	Services	1,077	1.0	1,077
Hitachi Capital	Other Financing Business			
		1,070	1.0	1,070
PC Depot	Retail Trade	1,062	1.0	1,062
Hito	Information & Communications			
		1,057	1.0	1,057
Iida Group Holdings	Real Estate	997	0.9	997
Hoya	Precision Instruments			
		995	0.9	995
Aozora Bank	Banks	987	0.9	987
Resorttrust	Services	973	0.9	973
Chiba Bank	Banks	946	0.9	946
Ono Pharmaceutical	Pharmaceutical	944	0.9	944
Nippon Densetsu				
Kogyo	Construction	944	0.9	944
3-D Matrix	Precision Instruments			
		913	0.8	913
Financial Products Group	Securities & Commodity Futures			
		844	0.8	844
Nippon Parking Development	Real Estate	839	0.8	839
THK	Machinery	782	0.7	782
Temp Holdings	Services	759	0.7	759
Akebono	Transportation Equipment			
		756	0.7	756
Brake Industry	Wholesale Trade	755	0.7	755
Iwatani	Electric Appliances			
		742	0.7	742
Rakuten	Services	735	0.7	735
UMN Pharma	Pharmaceutical	724	0.7	724
Jin	Retail Trade	695	0.6	695
Toyo Engineering	Construction	675	0.6	675
Fuji Media Holdings	Information & Communications			
		661	0.6	661
Sugi Holdings	Retail Trade	661	0.6	661
Yokogawa Bridge Holdings	Metal Products	647	0.6	647
Fujimi	Glass & Ceramics Products			
		636	0.6	636
Maruwa	Glass & Ceramics Products			
		633	0.6	633
Obayashi	Construction	627	0.6	627
Citizen Holdings	Precision Instruments			
		617	0.6	617

Investments	Sector	Exposure £'000	Exposure %¹	Fair Value² £'000
Endo Lighting	Electric Appliances	611	0.6	611
Sun	Electric Appliances	598	0.6	598
Seikagaku	Pharmaceutical	584	0.6	584
Nippon Signal	Electric Appliances	568	0.6	568
Showa	Transportation Equipment	565	0.5	565
Tsukui	Services	561	0.5	561
Daido Steel	Iron & Steel	557	0.5	557
Sanki Engineering	Construction	552	0.5	552
Penta Ocean	Construction	550	0.5	550
Okamura	Other Products	542	0.5	542
Lasertec	Electric Appliances	540	0.5	540
Benesse Holdings	Services	538	0.5	538
Nuflare Technology	Machinery	523	0.5	523
Eneres	Services	482	0.5	482
Nisso Pronity	Metal Products	474	0.4	474
Cyberdyne	Precision Instruments	432	0.4	432
Nippon Gas	Electric Power & Gas	74	0.1	74
Total investments		86,966	80.2	86,966
<i>Long CFDs</i>				
M3	Services	3,943	3.6	2,187
Rohm	Electric Appliances	2,197	2.0	155
Sekisui Chemical	Chemicals	2,108	1.9	717
Sumitomo Electric	Nonferrous Metals	2,033	1.9	349
Anritsu	Electric Appliances	1,580	1.5	(467)
NTT Urban	Real Estate	1,439	1.3	328
Resona Holdings	Banks	1,254	1.2	55
LIXIL Group	Metal Products	1,213	1.1	96
Aeon Financial	Other Financing Business	1,173	1.1	(197)
Disco	Machinery	1,134	1.0	243
Kakaku.Com	Services	1,023	0.9	646
Shinsei Bank	Banks	961	0.9	(137)
Aisin Seiki	Transportation Equipment	850	0.8	186
Sumitomo Rubber	Rubber Products	567	0.6	49
Total long CFDs		21,475	19.8	4,210
Total Portfolio (including long CFDs)		108,441	100.0	91,176
1 % of the total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs.				
2 Fair value represents the carrying value in the Company's balance sheet.				

B46	Net Asset Value	As at 18 July 2014 (being the latest practicable date prior to the publication of this Prospectus), the NAV per Ordinary Share was 81.86 pence per Ordinary Share (undiluted) and the unaudited NAV of the Company was £93,283,000 (as provided by the Manager).
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Section C – Securities

Element	Disclosure requirement	Disclosure
C1	Type and class of securities	<p>The Company is proposing to issue Subscription Shares of 0.001 pence each to Qualifying Shareholders on the basis of one Subscription Share for every five Existing Ordinary Shares, subject to the passing of the Resolution set out in the Notice of General Meeting. The Subscription Shares will be issued by way of a bonus issue to Qualifying Shareholders.</p> <p>The ISIN of the Subscription Shares is GB00BLY2CK21 and the ticker is FJVS.</p>
C2	Currency	The Subscription Shares will be denominated in Sterling.
C3	Number of securities in issue	<p>As at 18 July 2014 (being the latest practicable date prior to the publication of this Prospectus), the Company had 113,954,834 Ordinary Shares in issue, all of which are fully paid.</p> <p>The nominal value of each Ordinary Share is 25 pence.</p>
C4	Description of the rights attaching to the securities	<p>Each Subscription Share will confer the right (but not the obligation) to subscribe for one Ordinary Share upon exercise of the Subscription Share Rights and on payment of the Subscription Price.</p> <p>The Subscription Shares ordinarily carry no right to attend or vote at meetings of holders of Ordinary Shares and have no right to receive dividends or to share in any surplus in the event of liquidation.</p> <p>However, the Subscription Shares do have certain rights and protections, including:</p> <ul style="list-style-type: none"> • that rights attached to the Subscription Shares may only be varied with the sanction of a special resolution of the Subscription Shareholders, being a majority of not less than 75 per cent of the votes cast at a meeting of the Subscription Shareholders, duly convened; • in the event of liquidation, Subscription Shareholders receive an amount calculated in accordance with the formulae set out in the New Articles. The value of the Subscription Shares for these purposes would be the greater of two alternative calculations, by reference to the market value of the Subscription Shares and the excess of NAV over the Subscription Price; • subject to the above, Subscription Shares shall have the right to share in the surplus of a liquidation to the extent of a right to be repaid a sum (rounded up to the nearest whole penny) equal to the nominal value of each Subscription Share (in respect of which Subscription Share Rights have not been exercised) held (ranking immediately after the right of Ordinary Shareholders to be repaid the nominal value of 25 pence for each Ordinary Share); and • certain rights in respect of capital reorganisations.

C5	Restrictions on the free transferability of the securities	There are no restrictions on the free transferability of the Subscription Shares as a class.
C6	Admission	Applications will be made to the UK Listing Authority for the Subscription Shares to be admitted to the standard segment of the Official List and to the London Stock Exchange for such shares to be admitted to trading on its main market for listed securities. It is expected that Admission will occur, and that dealings will commence at 8.00 a.m. on 28 August 2014.
C7	Dividend policy	As an investment trust, the Company is required by the provisions of Chapter 4 of Part 24 of the Taxes Act to retain no more than 15 per cent. of all income. However, the Company's investments do not and are not expected to pay sufficient income to generate net income after taking account of the Company's running costs and accumulated revenue reserve deficit. The Company therefore does not expect that dividends will constitute a material element of the return it offers shareholders. Although the Company's Articles no longer prohibit the distribution as a dividend of surpluses arising from the realisation of investments, the Board has no current intention to pay dividends out of such realisations.
C22	Information about the underlying Ordinary Shares	<p>Each Subscription Share will confer the right (but not the obligation) to subscribe for one Ordinary Share upon exercise of the Subscription Share Rights and upon payment of the Subscription Price. The Ordinary Shares shall be denominated in Sterling. The ISIN of the Ordinary Shares is GB0003328555 and the SEDOL is 0332855.</p> <p>Application will be made to the UK Listing Authority for the Ordinary Shares resulting from the exercise of the Subscription Share Rights to be admitted to the Official List with a Premium Listing and to the London Stock Exchange for such shares to be admitted to trading on the Main Market. Such Ordinary Shares will rank <i>pari passu</i> with the Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the allotment of the relevant Ordinary Shares). There are no restrictions on the free transferability of the Ordinary Shares as a class.</p> <p>The Subscription Share Rights may be exercised on the last business day of each month commencing in September 2014 and finishing on the last business day in April 2016 after which the Subscription Share Rights will lapse. The Ordinary Shares arising on exercise will be allotted within ten Business Days of the relevant Subscription Date. To be exercised, a notice of exercise must be received by the Registrars no later than 5.00p.m. on the relevant Subscription Date.</p>

Section D – Risks

Element	Disclosure requirement	Disclosure
D1	Key information on the key risks that are specific to the Company or its industry	<p>The key risks relating to the Company and its business are:</p> <ul style="list-style-type: none"> there can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objective of the Company will be achieved, meaning that the investors may not get back the full amount invested;

		<ul style="list-style-type: none"> • the Company’s investment strategy means that it invests predominantly in small and medium-sized Japanese equities and a fall in the value of Japanese equities would have an adverse impact on the value of the Shares; • smaller companies may find it more difficult to operate in periods of economic slowdown or recession and the market in their shares may be less liquid and, as a consequence, their share price may be more volatile than investments in larger companies; and • interest rate movements may affect the level of income receivable on cash deposits and the interest payable on the Company’s variable rate cash borrowings. <p>The key third party risks are:</p> <ul style="list-style-type: none"> • high reliance on third party service providers (principally the Manager, Registrars and Custodian) for control systems and security of the Company’s assets means that any poor governance, compliance and operational administration could lead to serious financial and reputational consequences; and • the Manager may be involved in other financial, investment or professional activities, which may on occasion give rise to a conflict of interest with the Company. <p>The key risks relating to the Company’s portfolio and its investment strategies are:</p> <ul style="list-style-type: none"> • any factor which would make it more difficult to buy or sell investments on the Japanese stockmarkets may have an adverse effect on the profitability of the Company; • the departure of a key individual, for example, the portfolio manager, may have an adverse effect on the performance of the Company; • there can be no guarantee that the due diligence investigations will accurately predict price movements of securities and other investments it selects, and the Company’s investment programme depends to a great extent on correct assessment of such price movements; • the Company’s total return and balance sheet are affected by foreign exchange movements; and • the use by the Company of gearing may amplify movements in the Company’s portfolio, so that if the Company is geared in poorly performing stocks, the impact would be detrimental. <p>The key risks relating to taxation and regulation are:</p> <ul style="list-style-type: none"> • any change in the Company’s tax status could affect the returns to Shareholders; • any change in tax legislation could affect the market value of the investments held by the Company and/or the returns to Shareholders; • any failure by the Company to comply with applicable laws and regulations could cause it to lose its investment trust status; and • the Company’s income may be reduced by exchange controls or withholding taxes imposed and investments.
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D3	Key information on the key risks that are specific to the Shares	<p>The key risks relating to the Ordinary Shares are:</p> <ul style="list-style-type: none"> • the market price of the Ordinary Shares is likely to fluctuate and may represent either a discount or premium to the NAV per Share; • it is possible that there may not be a liquid market in the Ordinary Shares, as market liquidity in the shares of investment trusts is frequently inferior to that of shares issued by larger companies traded on the London Stock Exchange; • there is a risk of diluting the NAV per Share if Subscription Share Rights are exercised at a time when NAV per Share is greater than the prevailing Subscription Price; • on each occasion the Subscription Share Rights are exercised, this may dilute the holdings of Ordinary Shareholders; and • in the event of a winding-up of the Company prior to the exercise of Subscription Share Rights, Subscription Shareholders may receive a payment out of the assets which would otherwise be available for distribution amongst the Ordinary Shareholders. <p>All risks relating to the Ordinary Shares, including those summarised above, will also apply to the Subscription Shares (in so far as they give an entitlement to subscribe for Ordinary Shares). Other key risks relating to the Subscription Shares are:</p> <ul style="list-style-type: none"> • Subscription Shares represent a geared investment, so a relatively small movement in the market price of the Ordinary Shares may result in a disproportionately large movement in the market price of the Subscription Shares; • there is no guarantee that the Subscription Shares will have a positive market value, or that the realisable value of the Subscription Shares will reflect their published market price; • in the case of any Subscription Shares whose Subscription Share Rights have not been exercised on or before the final date for exercising such rights, such Subscription Shares may cease to have any value; and • market liquidity of Subscription Shares may be less than the market liquidity of Ordinary Shares.
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Section E – Offer

Element	Disclosure requirement	Disclosure
E1	Net proceeds and costs of the Bonus Issue	<p>The Company's expenses in connection with the Bonus Issue are estimated to amount to approximately £213,000 (inclusive of VAT).</p> <p>Although there can be no certainty as to whether any or all of the Subscription Share Rights will be exercised, if the Bonus Issue proceeds and all of the Subscription Share Rights are exercised, the net proceeds that could arise on such exercise would be approximately £18.8 million, based on a NAV of 81.86 pence on 18 July 2014 (being the latest practicable date prior to the publication of this Prospectus) and assuming 22,790,966 Subscription Shares are issued pursuant to the Bonus Issue. It should be noted, however, that the Subscription Price will be calculated as at the Record Date and therefore the above figures are illustrative only.</p>

E2a	Reasons for the offer and use of proceeds	<p>The reasons for the Bonus Issue are:</p> <ul style="list-style-type: none"> • to allow investors to participate in any future NAV growth of the Company; • to increase the capital base of the Company, allowing operating costs to be spread across a larger number of Ordinary Shares and potentially the ongoing charges as a percentage of total assets to fall; • following the exercise of any Subscription Share Rights, to increase the number of Ordinary Shares in issue, which may improve the liquidity in the market for the Company's Ordinary Shares; and • to the extent that the Subscription Shares are traded on the secondary market, potentially broaden the Company's Shareholder base. <p>In due course, upon the Subscription Share Rights being exercised, the Directors intend to invest the net proceeds of such subscriptions in accordance with the Company's investment objective and published investment policy.</p>
E3	Terms and conditions of the offer	<p>The Bonus Issue is conditional on the Resolution at the General Meeting being passed and Admission becoming effective by not later than 8.00 a.m. on 28 August 2014 (or such later time and date as the Company and the Manager may agree).</p>
E4	Material interests	<p>Not applicable. No interest is material to the Bonus Issue.</p>
E5	Name of person selling securities	<p>Not applicable. No person or entity is offering to sell Shares as part of the Bonus Issue.</p>
E6	Dilution	<p>Pursuant to the Bonus Issue, each Qualifying Shareholder will be issued with one Subscription Share for every five Existing Ordinary Shares held by such Qualifying Shareholder on the Record Date.</p> <p>If a Qualifying Shareholder exercises all of his Subscription Share Rights before the Final Subscription Date, his percentage interest in the ordinary share capital of the Company as at the Final Subscription Date should not be reduced below his percentage interest in the ordinary share capital of the Company immediately prior to the Bonus Issue.</p> <p>A Qualifying Shareholder's shareholding may, however, be diluted during the period ending on the Final Subscription Date, depending on how many Subscription Share Rights that Shareholder chooses to exercise on each Subscription Date, and the difference between the Subscription Price and the Net Asset Value per Ordinary Share prevailing at the time the new Ordinary Shares are issued pursuant to each exercise of Subscription Share Rights.</p> <p>As Restricted Shareholders will not receive Subscription Shares pursuant to the Bonus Issue, such Shareholders may be diluted by up to 20 per cent., of their respective shareholdings, depending on the aggregate number of Subscription Share Rights which are exercised on or before the Final Subscription Date.</p>
E7	Expenses charged to the investor	<p>Not applicable. There are no direct costs charged to the investor.</p>

RISK FACTORS

Shareholders should carefully consider all the information in this Prospectus, including the risks described below. The Directors have identified these risks as the material risks relating to the Company, an investment in the Ordinary Shares and the Subscription Shares, and investing in Japanese equities of which the Directors are aware as at the date of this Prospectus. Additional risks and uncertainties not presently known to the Directors, or that the Board considers immaterial, may also adversely affect the Company's business, results of operations or financial condition. If any or a combination of the following risks materialise, the Company's business, financial condition, operational performance and the Ordinary Share price and Subscription Share price could be materially adversely affected. In that case, the trading price of the Ordinary Shares and Subscription Shares could decline and potential investors lose some or all of their investments in the Company.

An investment in the Company may not be suitable for all recipients of this Prospectus. Before making any investment decision, prospective investors are strongly advised to consult an independent adviser authorised under the FSMA who specialises in advising upon investments.

For the avoidance of doubt, none of the risk factors detailed below seeks to qualify the working capital statement set out in paragraph 5 of Part III of this Prospectus.

Risks Relating to the Company and its Business

The Company is an investment trust. Investment trusts aim to generate returns for shareholders by investing in other companies. As an investment trust may invest in a range of different companies and sectors, it may represent a method for investors to gain a diversified investment exposure. However, prospective investors should be aware of certain factors which apply to the Company and to investment trusts generally, as set out below.

Investment in the Company should not be regarded as short term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objectives of the Company will be achieved. Investors may not get back the full amount initially invested.

Value of investments

Changes in economic conditions including, for example, interest rates, currency exchange rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect equity investments and the Company's prospects.

There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objective of the Company will be achieved. The value of an investment in the Company, and the income derived from it, if any, may go down as well as up and an investor may not get back the amount invested.

Investment in small and medium-sized Japanese equities

The Company invests predominantly in small and medium-sized Japanese equities. A fall in the value of Japanese equities would have an adverse impact on the value of the Shares.

The relatively small capitalisation of smaller companies could make the market in their shares less liquid and, as a consequence, their share price may be more volatile than investments in larger companies.

Interest rate movements

The Company finances its operations through shareholders' funds. In addition, the Company has a geared exposure to Japanese equities through the use of long CFDs, which incur funding costs and provide collateral in yen. It is therefore exposed to a financial risk as a result of any increases in yen interest rates and this may have an adverse impact on the value of the Shares and returns to Shareholders.

Third Party Risks

Reliance on third party service providers

The Company has no employees and relies on a number of third party service providers, principally the Manager, Registrars and Custodian. With effect from 22 July 2014, the Company will also rely on the AIFM and the Depositary. The Company is dependent on the Manager's control systems and those of its Custodian and Registrar, both of which are monitored and managed by the Manager on behalf of the Board.

The security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements, among other things, rely on the effective operation of such systems. The Manager, Registrars, Custodian, AIFM and Depositary are subject to a risk-based programme of reviews by the Manager's internal audit department. In addition, service providers' own internal controls reports are received and reviewed by the Board and any concerns investigated.

While it is believed that the likelihood of poor governance, compliance and operational administration by third party service providers is low, the financial consequences could be serious, including the associated reputational damage to the Company.

Certain of the Company's relationships with its service providers will change as the Company implements AIFMD and in particular the Company is required to appoint an alternative investment fund manager and a depositary.

Manager's Potential Conflicts of Interest

The Manager may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, the Manager currently provides and may continue to provide investment management, investment advice or other services in relation to a number of companies, funds or accounts that may have similar investment objectives and/or policies to that of the Company and may receive ad valorem and/or performance-related fees for so doing.

As a result, the Manager may have conflicts of interest in allocating investments among the Company and other clients and in effecting transactions between the Company and other clients. The Manager may give advice or take action with respect to such clients that differs from the advice given or actions taken with respect to the Company. In the event of a conflict arising, the Manager will take reasonable steps to ensure fair treatment for the Company in accordance with FCA's Conduct of Business Sourcebook and the Manager's Conflicts of Interest Disclosure Statement (a copy of which is available on request).

Manager's Information technology systems

The Manager depends on information technology systems in order to assess investment opportunities, strategies and markets and to monitor and control risks for the Company. It is possible that a failure of some kind which causes disruptions to these information technology systems could materially limit the ability of the Manager to adequately assess and adjust investments, formulate strategies and provide adequate risk control. Any such information technology related difficulty could harm the performance of the Company.

Risks relating to the Portfolio and Investment Strategies

Performance of stockmarkets and Manager

The success of the Company will depend on the performance of the Japanese stockmarkets and the Manager's ability to identify attractive investments and to realise them in accordance with the Company's investment objectives. Any factor which would make it more difficult to buy or sell investments may have an adverse effect on the profitability of the Company. No assurance can be given that the Company will be able to invest its capital on attractive terms or to generate returns for Shareholders or that the strategies to be used will be successful under all or any market conditions.

The achievement of the Company's performance objective requires the assumption of risk. Strategy, asset allocation and stock selection might lead to underperformance relative to the Russell Nomura Mid/Small Cap Index. The performance of the Company's investment programme depends to a great extent on the correct assessment of the future course of price movements of securities and other investments selected by the Manager. There can be no assurance that the Manager will accurately predict these price movements. The Board relies on the Manager's skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors.

Key individuals

There can be no guarantee that any individual referred to in this Prospectus will remain with the Manager. The departure of the portfolio manager, namely Shinji Higaki, may have an adverse effect on the performance of the Company.

Manager's due diligence

Before making investments, the Manager conducts such due diligence as is deemed reasonable and appropriate based on the facts and circumstances applicable to each investment. There can be no assurance that due diligence investigations with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating that investment opportunity.

Any failure by the Manager to identify relevant facts through the due diligence process may lead to inappropriate investment decisions, which could have a material adverse effect on the Company's profitability, NAV and Share price.

Calculation of NAV

In calculating the Company's daily unaudited NAV, the Manager may rely on estimates of the values of companies or their securities in which the Company invests. Such estimates may be unaudited or may be subject to little verification or other due diligence and may not comply with UK GAAP or other valuation principles.

Currency

The Company's total return and balance sheet are affected by foreign exchange movements because the Company has assets and income which are denominated in Yen whilst the Company's base currency is Sterling. While it is the Company's policy not to hedge currency, the fact that gearing by way of long CFDs is in Yen means that part of the investment portfolio funded by gearing is naturally hedged against changes in the Yen: Sterling exchange rate.

Borrowings and gearing

Some investment trusts employ gearing in seeking to enhance returns to shareholders by borrowing funds for investment. Where an investment trust is geared, its NAV and price performance would be expected to represent an amplification of any upward and downward movement in the investment trust's portfolio as a result of price changes of the investments contained therein. The Board imposes borrowing limits in an attempt to ensure gearing levels are appropriate to market conditions.

Whilst the use of borrowings within the limits prescribed by the Board should enhance the NAV per Ordinary Share where the value of the Company's underlying assets is rising at a rate greater than the interest rate on the borrowings, it will have the opposite effect where the underlying asset value is falling or is rising at a rate lower than the interest rate on the borrowings. This may increase the volatility of the NAV per Ordinary Share.

The Company has the option to invest up to the total of any loan facilities or to use Contracts for Difference ("CFDs") to invest in equities. The principal risk is that gearing magnifies investment returns. Therefore, if the Company is geared in strongly performing stocks the Company will benefit from gearing. If the Company is geared in poorly performing stocks, the impact would be detrimental. Other risks are that the cost of gearing may be too high or that the term of the gearing is inappropriate in relation to market conditions. The Company currently has no bank loans and geared exposure is

being achieved through the use of long CFDs. This has reduced the cost of gearing and provides greater flexibility. The Board regularly considers gearing and gearing risk and sets limits accordingly.

The additional risk to the Company of using CFDs rather than traditional forms of finance is that the Company does not own the Japanese equities to which the CFDs give exposure and is at risk if the counterparty defaults, for example for insolvency reasons. The balance on all outstanding CFDs is calculated on a daily basis (which represents the unrealised profit or loss on the outstanding CFDs), with the net balance payable by one counterparty to the other covered by an adjustment to collateral, so that collateral equal to the outstanding balance has been posted (although no collateral adjustment is made where the balance is less than US\$1 million). This results in a potential exposure which could be increased, due to settlement practices and timing differences, to a maximum of US\$1 million plus three days' unrealised trading profits.

Risks relating to the Ordinary Shares

Discounts

The price of the Ordinary Shares will be determined by the interaction of supply and demand in the market as well as the NAV per Share. The market price of the Ordinary Shares is therefore likely to fluctuate and may represent either a discount or premium to the NAV per Ordinary Share. The rating of the Ordinary Shares is itself variable as conditions for supply and demand change. This means that the Ordinary Share price may go down as well as up and the Ordinary Share price can fall when the NAV per Ordinary Share rises, or vice versa.

Liquidity

The Company is a closed-ended vehicle. Accordingly, Shareholders have no right to have their Ordinary Shares repurchased by the Company at any time. Shareholders wishing to realise their investments in the Company will therefore be required to dispose of their Ordinary Shares or Subscription Shares on the stockmarket.

Market liquidity in the shares of investment trusts is sometimes less than market liquidity in shares issued by larger companies traded on the London Stock Exchange. There can be no guarantee that a liquid market in the Ordinary Shares will be maintained. Accordingly, Shareholders may be unable to realise their Ordinary Shares at the quoted market price (or at the prevailing NAV per Ordinary Share) or at all.

Dividends and Income

The Company's principal investment objective is to achieve capital growth predominantly from investment in small and medium-sized Japanese companies listed or traded on Japanese stockmarkets. Prior to the AGM held earlier this year, the Company was only permitted to pay dividends to the extent that it had distributable revenue profits available for that purpose. At the AGM, new Articles were adopted, under which the Company may pay a dividend out of its capital reserves. This flexibility is retained in the New Articles, but there are no plans to make use of such powers at present and the Company will continue to only pay dividends to the extent that it has distributable revenue profits available for that purpose.

Dilution

The exercise of Subscription Share Rights at a time when the NAV per Ordinary Share is greater than the prevailing Subscription Price would cause the NAV per Ordinary Share to be diluted and the perceived risk of dilution may cause the market price of the Ordinary Shares to reflect a lesser sensitivity to increase in the NAV per Share than might otherwise be expected.

The allotment of the Subscription Shares will mean that the equivalent of 20 per cent. of the Company's issued ordinary share capital is under option immediately following the Bonus Issue. On each occasion the Subscription Shares Rights are exercised this will dilute the ordinary shareholding of any Ordinary Shareholders who do not exercise a corresponding proportion of the Subscription Share Rights attaching to their Subscription Shares or who have sold their Subscription Shares. However, if a Shareholder continues to hold the Subscription Shares issued to him pursuant to the Bonus Issue and

exercises his Subscription Share Rights before their expiry, that Shareholder's percentage interest in the ordinary share capital of the Company will not ultimately be reduced below his percentage interest in the ordinary share capital of the Company immediately prior to the Bonus Issue. If, as is likely, the NAV per Ordinary Share at the time of exercise of the Subscription Share Rights exceeds the applicable Subscription Price, the issue of the Ordinary Shares upon such exercise will also have a dilutive effect on the NAV per Ordinary Share. The extent of such dilution will depend on the number of Subscription Shares which are converted on each occasion and the difference between the applicable Subscription Price and the NAV per Ordinary Share prevailing at the time the new Ordinary Shares are issued pursuant to the exercise of the Subscription Share Rights.

Rights of Subscription Shares on Liquidation

In the event of the winding-up of the Company prior to the exercise of the Subscription Share Rights, Subscription Shareholders may receive a payment out of the assets which would otherwise be available for distribution amongst the Ordinary Shareholders.

Risks relating to the Subscription Shares

Unsuitability as short term investment

Investment in the Subscription Shares may not be suitable as a short term investment. The value of a Subscription Share may go down as well as up.

Price volatility

Subscription Shares represent a geared investment, so a relatively small movement in the market price of the Ordinary Shares may result in a disproportionately large movement, unfavourable or favourable, in the market price of the Subscription Shares. The market price of the Subscription Shares may therefore be volatile.

Realisable value

The market price of the Subscription Shares will be determined by market forces (including the NAV and market price of an Ordinary Share) and there is no guarantee that they will have a positive market value. The published market price of the Subscription Shares will typically be their mid-market price. Due to the potential difference between the mid-market price of the Subscription Shares and the price at which Subscription Shares can be sold, there is no guarantee that the realisable value of the Subscription Shares will reflect their published market price.

In the case of any Subscription Shares whose Subscription Share Rights have not been exercised on or before the final date for exercising such rights, such Subscription Shares will cease to have any value unless a trustee appointed by the Company determines that the net proceeds of sale of the Ordinary Shares that would arise on the exercise of such rights after deduction of all the costs and expenses of sale would exceed the costs of exercise of such rights. In such circumstances, the trustee would either exercise all or some of the outstanding Subscription Share Rights and sell the Ordinary Shares issued on such exercise in the market, or, if it appears to the trustee that doing so is likely to raise greater net proceeds, it may accept any offer available to the Subscription Shareholders for the purchase of all or some of the outstanding Subscription Shares (or the Ordinary Shares resulting from the exercise of the Subscription Share Rights of those Subscription Shares). The net proceeds of any such sale (after deducting the costs of exercising the Subscription Share Rights, if applicable, and any other costs and expenses incurred in relation to such sale) will be remitted to the Subscription Shareholders unless the amount to which a Subscription Shareholder is entitled is less than £5 in which case such sum shall be retained for the benefit of the Company.

Liquidity

Although Subscription Shares are tradable securities, market liquidity of Subscription Shares may be less than the market liquidity of Ordinary Shares. It is possible that there may not be a liquid market in the Subscription Shares and investors may have difficulty in selling such securities.

Suspension of trading

The Company has applied for the Subscription Shares to be admitted to trading on the London Stock Exchange. The London Stock Exchange has the right to suspend or limit trading in a company's securities. Any suspension or limitation on trading in the Subscription Shares may affect the ability of Shareholders to realise their investments.

Ordinary Share risks

The Subscription Shares, in so far as they give an entitlement to subscribe for Ordinary Shares, are affected by the same risk factors as the Ordinary Shares as set out in this section headed "Risks relating to the Ordinary Shares".

However, although the price of the Subscription Shares is linked to the price of the Ordinary Shares, the price of a Subscription Share may not follow that of an Ordinary Share because of other factors contributing to their respective prices, for example supply and demand. Further, the price of a Subscription Share is affected by factors that do not affect the Ordinary Share price, such as the remaining duration of the Subscription Share Rights.

Taxation Risks

Change in tax status and legislation

Any change in the Company's tax status, including a breach of section 1158 of the Tax Act, could affect the Company's ability to provide returns to Shareholders, or alter the post-tax returns to Shareholders. Any change in tax legislation could affect the market value of the investments held by the Company and/or affect the Company's ability to provide returns to Shareholders, or alter the post-tax returns to Shareholders.

The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this Prospectus are those currently available and their value depends on the individual circumstances of investors. If you are in any doubt as to your tax position, you should consult an appropriate independent professional adviser.

FATCA

TO ENSURE COMPLIANCE WITH UNITED STATES TREASURY DEPARTMENT CIRCULAR 230, EACH SHAREHOLDER IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF US TAX ISSUES HEREIN IS NOT INTENDED TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY A SHAREHOLDER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH SHAREHOLDER UNDER APPLICABLE TAX LAW; (B) SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE BONUS ISSUE OF SUBSCRIPTION SHARES BY THE COMPANY; AND (C) A SHAREHOLDER IN ORDINARY SHARES SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT ADVISOR.

The Foreign Account Tax Compliance provisions (commonly known as "FATCA") are US provisions contained in the US Hiring Incentives to Restore Employment Act 2010. FATCA is aimed at reducing tax evasion by US citizens.

FATCA imposes a withholding tax of 30 per cent. on (i) certain US source interest, dividends and certain other types of income; and (ii) the gross proceeds from the sale or disposition of assets which produce US source interest or dividends, which are received by a foreign financial institution ("FFI"), unless the FFI complies with certain reporting and other related obligations under FATCA. The UK has concluded an intergovernmental agreement ("IGA") with the US, pursuant to which parts of FATCA have been effectively enacted into UK law.

Under the IGA, a FFI that is resident in the UK (a "Reporting FI") is not subject to withholding under FATCA provided that it complies with the terms of the IGA, including requirements to register with the IRS and requirements to identify, and report certain information on, accounts held by US persons owning, directly or indirectly, an equity or debt interest in the Company (other than equity and debt

interests that are regularly traded on an established securities market, for which see below), and report on accounts held by certain other persons or entities to HMRC. The Company expects that it will be treated as a Reporting FI pursuant to the IGA and that it will comply with the requirements under the IGA. The Company also expects that its Ordinary Shares and Subscription Shares may, in accordance with current HMRC practice, comply with the conditions set out in the IGA to be “regularly traded on an established securities market” meaning that the Company should not have to report specific information on its Shareholders and their investments to HMRC. However, there can be no assurance that the Company will be treated as a Reporting FI, that its Ordinary Shares and Subscription Shares will be considered to be “regularly traded on an established securities market” or that it would not in the future be subject to withholding tax under FATCA or the IGA. If the Company becomes subject to a withholding tax as a result of FATCA or the IGA, the return on investment of some or all Shareholders may be materially adversely affected.

The UK has also concluded similar intergovernmental agreements (“**Additional IGAs**”) with other jurisdictions (including the Isle of Man, Guernsey and Jersey (the “**Crown Dependencies**”) and seven of the British Overseas Territories (Cayman Islands, Gibraltar, Montserrat, Bermuda, the Turks and Caicos Islands, the British Virgin Islands and Anguilla)). The Additional IGAs with the Crown Dependencies and Gibraltar may require the Company to report more widely on its Shareholders, although the Company expects that it may be able to benefit from a similar reporting exemption to that contained in the IGA and outlined above.

Other jurisdictions are also considering introducing FATCA-style legislation in order to obtain information about their respective tax residents. Again, these may require the Company to report more widely on its Shareholders but the exact scope of such rules will need to be determined on a jurisdiction by jurisdiction basis. FATCA, the IGA and the Additional IGAs are complex. The above description is based in part on regulations, official guidance, the IGA and the Additional IGAs, all of which are subject to change.

Shareholders subject to FATCA or FATCA-style legislation could therefore, be exposed to a withholding tax of 30 per cent. on dividends and other types of income received in respect of the Shares or on the gross proceeds from the sale or disposition of such Shares and so all Shareholders should consult with their own tax advisors regarding the possible implications of such legislation on their investment in the Company.

Alternative Investment Fund Managers Directive

The Alternative Investment Fund Managers Directive (**AIFMD**), which was transposed by EU member states into national law on 22 July 2013, seeks to regulate AIFMs and imposes obligations on AIFMs in the EU or who market shares in such funds to EU investors. The United Kingdom has opted to take the benefit of a 12 month transitional period which expires on 22 July 2014. In order to obtain authorisation under the AIFM Directive, an AIFM needs to comply with various organisational, operational and transparency obligations, which may create significant additional compliance costs, some of which may be passed to investors in the alternative investment funds (**AIF**) and may affect dividend returns.

The Company is an EU AIF for the purposes of the AIFM Directive and related regimes in relevant EU member states. The Company has appointed a third party, FISL, as its AIFM with effect from 22 July 2014.

The FCA have confirmed that they are minded to approve FISL’s application to the FCA to become an authorised AIFM. On authorisation, FISL is subject to the full requirements of the AIFM Directive.

If for any reason formal approval from the FCA is not received in accordance with their confirmation or, following authorisation, FISL is no longer able to be the AIFM of the Company and a suitable replacement cannot be found, the Company may be required to become authorised itself as a self-managed AIF under the AIFM Directive. This will place a significant cost and administrative burden on the Company, and may therefore reduce returns for investors.

Any regulatory changes arising from implementation of the AIFMD (or otherwise) that limit the Company's ability to market future issues of its shares may materially adversely affect the Company's ability to carry out its investment policy successfully and to achieve its investment objective, which in turn may adversely affect the Company's business, financial condition, results of operations, NAV and/or the market price of the Ordinary Shares.

Legal and Regulatory Risks

General

The Company must also comply with the provisions of the 2006 Act and, as its Shares are admitted to the Official List, of the Listing Rules. A breach of the 2006 Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings. A breach of the Listing Rules could result in the Company's shares being suspended from listing, which in turn would breach section 1158 of the Tax Act. A breach of section 1158 of the Tax Act could result in the cessation of the Company's investment trust status and lead to the Company being subject to tax on capital gains, affecting the returns to Shareholders.

Shares in public hands

If Subscription Share Rights are exercised the number of Subscription Shares in issue will be reduced. This could lead to the outstanding Subscription Shares being concentrated in the hands of a small number of Subscription Shareholders over time. The continued listing on the Official List of each share class is dependent on at least 25 per cent. of the Shares in that class being held in public hands (as defined in the Listing Rules). This means that if more than 75 per cent. of the Shares in any class are held by, amongst others, the Directors, persons connected with the Directors, or persons interested in 5 per cent. or more of the relevant Shares, the listing of that class of Shares may be suspended or cancelled. The Listing Rules state that the UK Listing Authority may allow a reasonable period of time for the Company to restore the appropriate percentage if this rule is breached once the Shares are listed, unless this is precluded by the need to maintain the smooth operation of the market or to protect investors. If the listing were cancelled, the Company would lose its investment trust status. Having considered the current number of Ordinary Shareholders and the likely number of Subscription Shareholders following the Bonus Issue, the Company expects that the public hands test will be satisfied for the duration of the period in which the Subscription Share Rights are exercisable.

AIFMD

There are a number of regulatory changes which impact on the Company. The most significant is the AIFMD. The AIFMD covers the management, administration, marketing and safekeeping of assets for AIFs and has been implemented in the UK via national laws, regulations and directly applicable EU regulations and guidance (together **UK AIFMD Rules**). The Company is an AIF under UK AIFMD Rules.

Whilst the implementation date for the AIFMD was 22 July 2013, the FCA permitted a transitional period to 22 July 2014. The Board reviewed the impact of the AIFMD and the UK AIFMD Rules on the Company and has appointed FIL Investment Services (UK) Limited (**FISL**) (for no additional fee) as AIFM to the Company. FIL Limited is the ultimate parent undertaking of both FISL and the Manager, and therefore they are part of the same group of companies.

The appointment takes effect from 22 July 2014. The FCA have confirmed that they are minded to approve FISL's application to become an authorised AIFM with effect from 22 July 2014.

To the extent that the Company is not in compliance with the relevant UK AIFMD Rules then the Company may incur additional costs and expenses and the role and the remuneration of existing service providers may have to be increased on or after 22 July 2014 in order to become compliant.

If the Company's proposed AIFM, FISL, is unable to act as the Company's AIFM on or after 22 July 2014 (for example, if formal authorisation is not received from the FCA in accordance with their confirmation) then the Company will need to appoint another suitably authorised person (in or outside the United Kingdom) as its AIFM. This will incur additional cost.

An AIF is required to have a depositary who is authorised to act as such. The Company intends to appoint J.P. Morgan Europe Limited as its depositary with effect from 22 July 2014. J.P. Morgan Europe Limited has been approved by the Financial Conduct Authority to act as an AIF depositary. It is not expected that the costs associated with appointing a depositary will be material.

Exchange Controls and Withholding Tax

The Company may, from time to time, purchase investments that will subject the Company to exchange controls or withholding taxes in various jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company on such investments.

Financial Statements

The Company prepares its financial statements in accordance with the 2006 Act and UK GAAP and with the AIC Statement of Recommended Practice (SORP) for Investment Trust Companies and Venture Capital Trusts dated January 2009. UK GAAP, the SORP and the resulting accounting treatments are subject to change and this may affect the Company's calculation of NAV. Changes in the Company's accounting policies could also adversely affect Shareholders.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2014

Latest time and date for receipt of Voting Instruction Forms from Savings Scheme Participants	4.00 p.m. on 18 August
Latest time and date for receipt of Forms of Proxy	4.00 p.m. on 21 August
General Meeting	4.00 p.m. on 26 August
Record Date for the Bonus Issue	5.00 p.m. on 26 August
Subscription Price of Subscription Shares calculated	Close of business on 26 August
Announcement of the Subscription Price	27 August
Admission of the Subscription Shares to the Official List and dealings in the Subscription Shares commence	8.00 a.m. on 28 August
Crediting of CREST stock accounts in respect of the Subscription Shares	28 August
Share certificates despatched in respect of the Subscription Shares	Week commencing 8 September

Notes:

- (1) The times and dates set out in the Expected Timetable of Principal Events above and mentioned throughout this Prospectus may be adjusted by the Company, in which event details of the new times and dates will be notified, as required, to the UK Listing Authority and the London Stock Exchange and, where appropriate, to Shareholders.
- (2) All references to time in this Prospectus are references to London time.

DEALING CODES

The dealing codes for the Subscription Shares will be as follows:

ISIN	GB00BLY2CK21
SEDOL	BLY2CK2
Ticker	FJVS

IMPORTANT NOTICES

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss (including total loss) which may result from the investment. A prospective investor should consider with care whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future.

Shareholders should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters. Shareholders should inform themselves as to: (a) the legal requirements within their own countries for the holding, transfer or other disposal of Subscription Shares and the exercise of the Subscription Share Rights; (b) any foreign exchange restrictions applicable to the holding, transfer or other disposal of Subscription Shares and the exercise of the Subscription Share Rights which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the holding, transfer or other disposal of Subscription Shares or the exercise of the Subscription Share Rights. Shareholders must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this Prospectus are based on the law and practice currently in force in England and Wales and are subject to changes therein.

Forward looking statements

This Prospectus contains forward looking statements including, without limitation, statements containing the words “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or similar expressions. Such forward looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement of the Company, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward looking statements.

Given these uncertainties, Shareholders are cautioned not to place any undue reliance on such forward looking statements. These forward looking statements apply only as at the date of this Prospectus. Subject to its legal and regulatory obligations (including under the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules), the Company expressly disclaims any obligations to update or revise any forward looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based unless required to do so by law or by any appropriate regulatory authority, including the FSMA, the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules.

Nothing in the preceding two paragraphs should be taken as limiting the working capital statement in paragraph 5 of Part III of this Prospectus.

DIRECTORS, MANAGER AND ADVISERS

Directors	David Robins (<i>Chairman</i>) Simon Fraser Philip Kay Sir Laurence Magnus (<i>Audit Committee Chairman</i>) David Miller, OBE (<i>Senior Independent Director</i>)
	all of: Beech Gate Millfield Lane Lower Kingswood Tadworth Surrey KT20 6RP
Registered Office	Beech Gate Millfield Lane Lower Kingswood Tadworth Surrey KT20 6RP
Manager and Company Secretary	FIL Investments International Oakhill House 130 Tonbridge Road Hildenborough Kent TN11 9DZ
Financial Adviser and Sponsor	Canaccord Genuity Limited 88 Wood Street London EC2V 7QR
Legal Advisers to the Company	Speechly Bircham LLP 6 New Street Square London EC4A 3LX
Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
Registrars	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Custodian and Principal Banker	JPMorgan Chase Bank, NA (London Branch) 125 London Wall London EC2Y 5AJ

AIFM

FIL Investment Services (UK) Limited
Oakhill House
130 Tonbridge Road
Hildenborough
Tonbridge
Kent
TN11 9DZ

Depository

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

PART I

CHAIRMAN'S LETTER

FIDELITY JAPANESE VALUES PLC

(Incorporated in England and Wales with company number 2885584 and registered as an investment company under section 833 of the 2006 Act)

Directors:

David Robins (*Chairman*)
Simon Fraser
Philip Kay
Sir Laurence Magnus
David Miller, OBE

Registered Office:

Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey KT20 6RP

22 July 2014

Dear Shareholder,

Proposed Bonus Issue of up to 22,790,966 Subscription Share

Introduction

The Company announced on 27 March 2014 that the Board was considering proposals for a bonus issue of Subscription Shares to existing Shareholders. After further consideration the Board has decided to proceed and I am now writing to give you details of the Bonus Issue.

Implementation of the Bonus Issue requires amendments to the Articles to provide for the rights of the Subscription Shares and to obtain authority to allot the Subscription Shares. The Bonus Issue is conditional on the passing of the Resolution to be proposed at the General Meeting of the Company to be held on 26 August 2014, as well as on the admission of the Subscription Shares to the standard segment of the Official List and to trading on the main market of the London Stock Exchange.

The Bonus Issue

The Company is proposing to issue Subscription Shares to Qualifying Shareholders on the basis of one Subscription Share for every five Existing Ordinary Shares held on the Record Date, subject to the passing of the Resolution set out in the Notice of General Meeting. The Subscription Shares will be issued by way of a bonus issue to Qualifying Shareholders and will be listed and tradable on the main market for listed securities of the London Stock Exchange. The ISIN of the Subscription Shares is GB00BLY2CK21 and the ticker is FJVS.

Each Subscription Share will confer the right (but not the obligation) to subscribe for one Ordinary Share upon exercise of the Subscription Share Rights and on payment of the Subscription Price, as set out below.

The Subscription Share Rights may be exercised on the last business day of each month commencing in September 2014 and finishing on the last business day in April 2016 after which the Subscription Share Rights will lapse. The Ordinary Shares arising on exercise will be allotted within ten Business Days of the relevant Subscription Date. To be exercised, a notice of exercise must be received by the Registrars no later than 5.00p.m. on the relevant Subscription Date.

Qualifying Shareholders' entitlements will be assessed against the register of members on the Record Date, which is expected to be 5.00 p.m. on 26 August 2014.

Subscription Shares will rank equally with each other and will not carry the right to receive any dividends from the Company or the right to attend and vote at general meetings of the Company (although the holders of the Subscription Shares have the right to vote in certain circumstances where there is a variation of the rights attached to the Subscription Shares).

The Subscription Price will be equal to the published NAV per Ordinary Share as at 5.00 p.m. on 26 August 2014, plus a 2 per cent. premium to such NAV per Ordinary Share, rounded up to the nearest quarter penny.

The NAV for the purpose of calculating the Subscription Price will be the unaudited value of the Company's assets calculated in accordance with the Company's accounting policies (including revenue items for the current financial year) less all prior charges and other creditors at their fair value (including the costs of the Bonus Issue).

The New Articles provide that the Subscription Price is subject to adjustment upon the occurrence of certain corporate events by or affecting the Company before the last business day in April 2016. The relevant corporate events include consolidations or sub-divisions of share capital, pre-emptive offers of securities to Ordinary Shareholders, takeover offers and the liquidation of the Company. Such adjustments serve to protect either the intrinsic value or the time value of the Subscription Shares or both.

The percentage premium applying upon exercise and the resulting Subscription Price reflect the Board's confidence in the Company's medium to long term prospects and its hope that holders of Subscription Shares will be able to exercise their Subscription Share Rights and acquire Ordinary Shares on favourable terms in the future.

It is expected that an announcement setting out the Subscription Price will be made on 27 August 2014. Fractions of Subscription Shares will not be allotted or issued and entitlements will be rounded down to the nearest whole number of Subscription Shares.

Advantages of the Bonus Issue

The Directors believe that the Bonus Issue of Subscription Shares will have the following advantages:

- (a) Subscription Shares should represent an attractive way for investors to participate in any future NAV growth of the Company through conversion into Ordinary Shares at a predetermined price;
- (b) Qualifying Shareholders will receive securities with a monetary value which may be traded in a similar fashion to their Existing Ordinary Shares or converted into Ordinary Shares;
- (c) on any exercise of the Subscription Share Rights, the capital base of the Company will increase, allowing operating costs to be spread across a larger number of Ordinary Shares, and this may cause the ongoing charges as a percentage of total assets to fall;
- (d) following the exercise of any Subscription Share Rights, the Company will have an increased number of Ordinary Shares in issue, which may improve the liquidity in the market for its Ordinary Shares;
- (e) Qualifying Shareholders will receive securities which are qualifying investments for the purposes of an ISA and permitted investments for the purposes of a SIPP; and
- (f) the Bonus Issue may broaden the Company's Shareholder base as the Subscription Shares are dispersed in the market, attracting new investors and improving liquidity for Shareholders.

Implementation of Bonus Issue

Implementation of the Bonus Issue requires Shareholders to approve the Resolution to be proposed at the General Meeting. If passed, the Resolution will:

- (a) approve the adoption of New Articles containing the rights attaching to the Subscription Shares;
- (b) authorise the Directors to allot the Subscription Shares pursuant to the Bonus Issue and Ordinary Shares pursuant to the Subscription Share Rights;

- (c) authorise the capitalisation of sums standing to the credit of the Company's share premium account, capital redemption reserve, special reserve and any other applicable reserve in paying up the Subscription Shares to be issued pursuant to the Bonus Issue;
- (d) authorise the consolidation, sub-division or redemption of any share capital in connection with the exercise of the Subscription Share Rights so as to enable conversion of the Subscription Shares into Ordinary Shares in accordance with the Subscription Share Rights; and
- (e) authorise the repurchase by the Company of Subscription Shares representing up to 14.99 per cent. of the Company's issued Subscription Share capital following Admission (subject to certain conditions), as more fully described below.

Authority to Repurchase Subscription Shares

In order to allow the Company to repurchase Subscription Shares, the Resolution will grant the Company authority to buy back up to 14.99 per cent. of the issued Subscription Share capital following Admission.

Any repurchases of Subscription Shares will be made at the discretion of the Board, and will only be made when market conditions are considered to be appropriate and in accordance with the Listing Rules. Purchases through the market will not be at prices that exceed the higher of (i) 5 per cent. above the average of the middle market quotations (as derived from the Official List) for the five consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made and (ii) the higher of the price quoted for (a) the last independent trade of, or (b) the highest current independent bid for, any number of Subscription Shares on the trading venue where the purchase is carried out. Repurchases will only be made when they will result in an increase in the fully diluted NAV per Ordinary Share. Any Subscription Shares repurchased by the Company will be cancelled and will not be held in treasury for reissue or resale.

It is anticipated that authorisation for repurchases of Subscription Shares will be sought at the Company's AGM in 2015.

New Articles

If the Resolution is approved, the New Articles will be adopted. The New Articles will (i) set out the rights attaching to the Subscription Shares and (2) incorporate certain changes in respect of the procedures to be followed when paying dividends and of a minor clarificatory nature.

At present, under the Articles, the Company is required to pay dividends by cheque (to be sent by post) except where the Company is in receipt of a specific instruction from a Shareholder to pay his/her dividend directly into a bank account. In accordance with the recent recommendations of the Registrar's Group of the Institute of Chartered Secretaries and Administrators, the Company proposes to amend the Articles to give it greater flexibility to make payments in other ways, particularly electronically, and in the future to specify that the default option for payment of dividends may be by direct payment into a Shareholder's bank account with an option for Shareholders to continue to receive payments by cheque through the post. Further details are set out in the Appendix to the Notice of General Meeting on page 96 of this Prospectus.

The New Articles will not otherwise vary from the existing Articles (other than minor clarificatory changes).

The New Articles will be on display at the registered office of the Company and at 25 Cannon Street, London EC4M 5TA from the date of this Prospectus until the end of the General Meeting and at the General Meeting itself for the duration of the meeting and for at least 15 minutes prior to the meeting.

Continuation Vote

Under the Articles, the Company is required to propose a continuation vote as an ordinary resolution at every third AGM. If a continuation vote is not passed the Directors are required to convene a

general meeting within three months, at which proposals for the winding up or other reconstruction of the Company would be considered.

The last continuation vote took place at the AGM held in 2013 and the next is due at the AGM to be held in 2016. The current intention is to hold the 2016 AGM on 1 July 2016. The next continuation vote would therefore be held after all Subscription Share Rights have either been exercised or lapsed.

There would not therefore be any Subscription Share Rights outstanding at the time of the next continuation vote. The full rights attaching to the Subscription Shares are set out in Part IV of this Prospectus.

Admission and Dealings

The Subscription Shares will be in registered form and may be issued either in certificated or uncertificated form. No temporary documents of title will be issued. Pending despatch of definitive certificates, transfers of Subscription Shares in certificated form will be certified against the Register. All documents or remittances sent by or to Shareholders will be sent through the post at the risk of the Shareholder.

Applications will be made to the UK Listing Authority for the Subscription Shares to be admitted to the standard segment of the Official List and to the London Stock Exchange for such shares to be admitted to trading on its market for listed securities. It is expected that Admission will occur, and that dealings will commence, on 28 August 2014. On Admission, the Subscription Shares will confer rights to subscribe for new Ordinary Shares representing, in aggregate, up to 20 per cent. of the then issued ordinary share capital of the Company.

The Ordinary Shares resulting from the exercise of the Subscription Share Rights will rank *pari passu* with the Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the allotment of the relevant Ordinary Shares).

Overseas Shareholders

The issue of the Subscription Shares to persons who have a registered or mailing address in countries outside the EEA may be affected by the law or regulatory requirements of the relevant jurisdiction.

The Subscription Shares to be issued under the Bonus Issue are not being issued to Overseas Shareholders. The Board will allot any Subscription Shares due under the Bonus Issue to Overseas Shareholders to a market maker who will sell such Subscription Shares promptly at the best price obtainable. The proceeds of sale will be paid to the Overseas Shareholders entitled to them save that entitlements of less than £5 per Overseas Shareholder will be retained by the Company for its own account.

Notwithstanding any other provision of this Prospectus the Company reserves the right to permit any Overseas Shareholder to take up Subscription Shares under the Bonus Issue if the Company, in its sole and absolute discretion, is satisfied at any time prior to the General Meeting that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who believe that they are entitled to take up Subscription Shares under the Bonus Issue should contact the Company as soon as possible to discuss the matter.

Any Shareholder who is in any doubt as to his position should consult an appropriate independent professional adviser without delay.

Taxation

The attention of Shareholders is drawn to the summary of United Kingdom tax matters set out in paragraph 12 of Part V of the Prospectus.

Shareholders should note that the Subscription Shares are qualifying investments for an ISA and will constitute permitted investments for the purposes of a SIPP. The exercise of Subscription Share Rights may affect the annual subscription limit available for further investment into an ISA in the relevant year. Shareholders who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their professional adviser.

Costs of the Bonus Issue

The Company's expenses in connection with the Bonus Issue are estimated to amount to approximately £213,000 (inclusive of VAT). These expenses will be borne by the Company and have been taken into account when calculating the Subscription Price.

Net Proceeds from Subscription Shares

Although there can be no certainty as to whether any or all of the Subscription Share Rights will be exercised, if the Bonus Issue proceeds and all of the Subscription Share Rights are exercised, the net proceeds that could arise on such exercise would be approximately £18.8 million, based on a NAV of 81.86 pence on 18 July 2014 (being the latest practicable date prior to the publication of this Prospectus) and assuming 22,790,966 Subscription Shares are issued pursuant to the Bonus Issue. It should be noted, however, that the Subscription Price will be calculated as at the Record Date and therefore the above figures are illustrative only.

General Meeting

A General Meeting of the Company has been convened for 4.00 p.m. on 26 August 2014 at 25 Cannon Street, London EC4M 5TA at which the Resolution will be proposed.

All Shareholders are entitled to attend and vote at the General Meeting. In accordance with the Articles, all Shareholders present in person or by proxy shall upon a show of hands have one vote and upon a poll shall have one vote in respect of every Share held. In order to ensure that a quorum is present at the General Meeting, it is necessary for two Shareholders entitled to vote to be present, whether in person or by proxy (or, if a corporation, by a representative).

Individuals who hold their Ordinary Shares through either or both of the Savings Schemes are entitled to attend the General Meeting and may vote by completing Voting Instruction Forms addressed to the nominee companies in whose names the Shares are registered and held on their behalf.

The formal notice convening the General Meeting is set out on pages 93 to 96 of this Prospectus.

ISAs/SIPPs

The Subscription Shares will be a qualifying investment for an ISA. The Subscription Shares acquired pursuant to the Bonus Issue are expected to be eligible for inclusion in SIPPs and SSASs, although this should be confirmed independently by Shareholders with their professional tax or financial advisers after taking into account the rules of their scheme.

If you are in any doubt as to the action you should take, you should immediately consult an independent financial adviser authorised under FSMA.

Action to be Taken

The only action that you are requested to take is to complete the accompanying Form of Proxy and/or, if you hold Ordinary Shares through either or both of the Savings Schemes, the accompanying Voting Instruction Form(s) for use at the General Meeting.

Shareholders, other than Savings Scheme Participants, are asked to complete and return the Form of Proxy in accordance with the instructions printed thereon to the Company's Registrars, Capita Asset Services, at PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, or deliver them by hand during

office hours only to the same address so as to be received as soon as possible and by not later than 4.00 p.m. on 21 August 2014.

Savings Scheme Participants are requested to complete their Voting Instruction Form(s) and return them to the Company's Registrars, Capita Asset Services at PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, in accordance with the instructions printed thereon, so as to be received as soon as possible and by not later than 4.00 p.m. on 18 August 2014. **The votes of Savings Scheme Participants who do not return their Voting Instruction Forms will be applied in favour of the Resolution.**

Shareholders and Savings Scheme Participants are requested to complete and return a Form of Proxy, or Voting Instruction Form, as appropriate, whether or not they wish to attend the General Meeting.

Voting Intention of the Manager

The Manager has declared its intention that FIL Limited, the ultimate parent company of the Manager, will vote its holding of 21,646,178 Ordinary Shares (representing approximately 18.99 per cent. of the issued ordinary share capital of the Company) in favour of the Resolution. For those Shares held through the Savings Schemes (as at 18 July 2014, 12,512,917 Ordinary Shares representing approximately 10.98 per cent. of the issued ordinary share capital of the Company), Fidelity will arrange to vote those Shares in favour of the Resolution where voting directions are not received.

Recommendation

The Board, which has received financial advice from Canaccord Genuity, considers that the passing of the Resolution is in the best interests of the Company and its Shareholders as a whole. In providing its financial advice, Canaccord Genuity has taken into account the Board's commercial assessment of the effects of the Bonus Issue. **Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution to be proposed at the General Meeting.** Those Directors who hold Shares intend to vote in favour of the Resolution in respect of their holdings of Ordinary Shares amounting to 100,183 Ordinary Shares in aggregate (representing approximately 0.09 per cent. of the issued ordinary share capital of the Company as at the date of this Prospectus).

Yours faithfully,

David Robins
(*Chairman*)

PART II

INFORMATION ON THE COMPANY

Introduction

The Company is a UK investment trust, which was established on 7 January 1994. The Company is a member of the AIC.

The Company's objective 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.

As at 18 July 2014 (being the latest practicable date prior to the publication of this Prospectus), the Company had net assets of £93,283,000 and the unaudited NAV per Ordinary Share was 81.86 pence.

Investment Policy

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

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

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

A maximum of 15 per cent. of the Company's total assets may be invested in the securities of other investment trust companies.

The Company's investment policy was amended on 10 November 2009 to permit gearing through Contracts for Difference ("CFDs") following the repayment of the Company's bank loans.

The Company's policy is to be geared in the belief that long term investment returns will exceed the cost of gearing. This gearing is obtained through the use of borrowing and/or through the use of CFDs to obtain exposure to Japanese equities selected by the Manager. The effect of gearing is to magnify the consequence of market movements on the portfolio and if the portfolio value rises the NAV will be positively impacted, but if it falls the NAV will be adversely impacted. The Board is responsible for the level of gearing in the Company and reviews the position on a regular basis. The aggregate exposure of the Company to Japanese equities, whether held directly or through CFDs, will not exceed Shareholders' funds by more than 30 per cent. at the time at which any CFD is entered into or a security acquired. The Board also intends that the exposure will not exceed Shareholders' funds by more than 40 per cent. at any other time unless exceptional circumstances exist.

The majority of the Company's exposure to Japanese equities will be through direct investment, not CFDs. In addition, the limits on exposure to individual companies and groups set out above will be calculated as if the Company had acquired the securities to which any CFD is providing exposure (i.e. on a total exposure basis).

The investment in Japanese equities achieved through borrowings and/or CFDs will be subject to the acquisition and holding limits set out above. Generally, the maximum that the Company will hold in

cash will be 25 per cent. of the total value of the Company's assets, but this limit will not include any cash or cash equivalent paid as collateral for unrealised losses on CFDs. In practice the cash position will normally be much lower.

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

No material change will be made to the investment policy without shareholder approval.

Investment Portfolio

As at the close of business on 18 July 2014 (being the latest practicable date prior to the publication of this Prospectus) the Company's portfolio was as follows:

Investments	Sector	Exposure £'000	Exposure % ¹	Fair Value ² £'000
Seria	Retail Trade	3,516	3.2	3,516
Sanix	Services	3,375	3.1	3,375
Wirelessgate	Information & Communication	3,292	3.0	3,292
Tosho	Services	3,165	2.9	3,165
Japan Aviation Electronics Industry	Electric Appliances	2,489	2.3	2,489
N Field	Services	2,421	2.2	2,421
Fuji Kyuko	Land Transportation	2,409	2.2	2,409
Gulliver International	Wholesale Trade	2,255	2.1	2,255
Hamamatsu Photonics	Electric Appliances	2,102	1.9	2,102
Stanley Electric	Electric Appliances	2,093	1.9	2,093
Hikari Tsushin	Information & Communication	1,855	1.7	1,855
Brother Industries	Electric Appliances	1,695	1.6	1,695
Nihon Nohyaku	Chemicals	1,674	1.5	1,674
Asahi Intecc	Precision Instruments	1,579	1.5	1,579
Shinmaywa Industries	Transportation Equipment	1,570	1.4	1,570
Aeon Mall	Real Estate	1,567	1.4	1,567
Round One	Services	1,555	1.4	1,555
VT Holdings	Retail Trade	1,423	1.3	1,423
Fujibo Holdings	Textiles & Apparels	1,418	1.3	1,418
AI Holdings	Wholesale Trade	1,338	1.2	1,338
Mobile Create Company	Information & Communication	1,288	1.2	1,288
Anicom Holdings	Insurance	1,233	1.1	1,233
Mani	Precision Instruments	1,222	1.1	1,222
Daicel	Chemicals	1,211	1.1	1,211
Dai-ichi Seiko	Electric Appliances	1,198	1.1	1,198
Tachi-S	Transportation Equipment	1,180	1.1	1,180
OSG	Machinery	1,148	1.1	1,148
Honeys	Retail Trade	1,106	1.0	1,106
Kyowa Exeo	Construction	1,085	1.0	1,085
EPS	Services	1,077	1.0	1,077
Hitachi Capital	Other Financing Business	1,070	1.0	1,070
PC Depot	Retail Trade	1,062	1.0	1,062
Hito Communications	Information & Communication	1,057	1.0	1,057
Iida Group Holdings	Real Estate	997	0.9	997
Hoya	Precision Instruments	995	0.9	995
Aozora Bank	Banks	987	0.9	987
Resorttrust	Services	973	0.9	973
Chiba Bank	Banks	946	0.9	946
Ono Pharmaceutical	Pharmaceutical	944	0.9	944
Nippon Densetsu Kogyo	Construction	944	0.9	944
3-D Matrix	Precision Instruments	913	0.8	913
Financial Products Group	Securities & Commodity Futures	844	0.8	844
Nippon Parking Development	Real Estate	839	0.8	839

Investments	Sector	Exposure £'000	Exposure %¹	Fair Value² £'000
THK	Machinery	782	0.7	782
Temp Holdings	Services	759	0.7	759
Akebono Brake Industry	Transportation Equipment	756	0.7	756
Iwatani	Wholesale Trade	755	0.7	755
Mitsuba	Electric Appliances	742	0.7	742
Rakuten	Services	735	0.7	735
UMN Pharma	Pharmaceutical	724	0.7	724
Jin	Retail Trade	695	0.6	695
Toyo Engineering	Construction	675	0.6	675
Fuji Media Holdings	Information & Communication	661	0.6	661
Sugi Holdings	Retail Trade	661	0.6	661
Yokogawa Bridge Holdings	Metal Products	647	0.6	647
Fujimi	Glass & Ceramics Products	636	0.6	636
Maruwa	Glass & Ceramics Products	633	0.6	633
Obayashi	Construction	627	0.6	627
Citizen Holdings	Precision Instruments	617	0.6	617
Endo Lighting	Electric Appliances	611	0.6	611
Sun	Electric Appliances	598	0.6	598
Seikagaku	Pharmaceutical	584	0.6	584
Nippon Signal	Electric Appliances	568	0.6	568
Showa	Transportation Equipment	565	0.5	565
Tsukui	Services	561	0.5	561
Daido Steel	Iron & Steel	557	0.5	557
Sanki Engineering	Construction	552	0.5	552
Penta Ocean Construction	Construction	550	0.5	550
Okamura	Other Products	542	0.5	542
Lasertec	Electric Appliances	540	0.5	540
Benesse Holdings	Services	538	0.5	538
Nuflare Technology	Machinery	523	0.5	523
Eneres	Services	482	0.5	482
Nisso Pronity	Metal Products	474	0.4	474
Cyberdyne	Precision Instruments	432	0.4	432
Nippon Gas	Electric Power & Gas	74	0.1	74
Total investments		86,966	80.2	86,966
<i>Long CFDs</i>				
M3	Services	3,943	3.6	2,187
Rohm	Electric Appliances	2,197	2.0	155
Sekisui Chemical	Chemicals	2,108	1.9	717
Sumitomo Electric	Nonferrous Metals	2,033	1.9	349
Anritsu	Electric Appliances	1,580	1.5	(467)
NTT Urban Development	Real Estate	1,439	1.3	328
Resona Holdings	Banks	1,254	1.2	55
LIXIL Group	Metal Products	1,213	1.1	96
Aeon Financial	Other Financing Business	1,173	1.1	(197)
Disco	Machinery	1,134	1.0	243
Kakaku.Com	Services	1,023	0.9	646
Shinsei Bank	Banks	961	0.9	(137)
Aisin Seiki	Transportation Equipment	850	0.8	186
Sumitomo Rubber	Rubber Products	567	0.6	49
Total long CFDs		21,475	19.8	4,210
Total Portfolio (including long CFDs)		108,441	100.0	91,176

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

2 Fair value represents the carrying value in the Company's balance sheet.

All investments are in equities, except for cash which is held on deposit.

Unless otherwise indicated, the information as set out above is unaudited and has been extracted from internal management accounts maintained by the Company.

Geographical Breakdown

% of total exposure of the investment portfolio as at 18 July 2014

Japan	100.0
Total portfolio exposure	<u>100.0</u>

Sector Breakdown

% of total exposure of the investment portfolio as at 18 July 2014

Sector

Services	18.9
Electric Appliances	15.3
Retail Trade	7.7
Information & Communication	7.5
Precision Instruments	5.3
Chemicals	4.5
Transportation Equipment	4.5
Real Estate	4.4
Construction	4.1
Wholesale Trade	4.0
Banks	3.9
Machinery	3.3
Land Transportation	2.2
Pharmaceutical	2.2
Metal Products	2.1
Other Financing Business	2.1
Nonferrous Metals	1.9
Textiles & Apparels	1.3
Glass & Ceramics Products	1.2
Insurance	1.1
Securities & Commodity Futures	0.8
Rubber Products	0.6
Iron & Steel	0.5
Other Products	0.5
Electric Power & Gas	0.1
Total portfolio exposure	<u>100.0</u>

Currency Breakdown

% of total exposure of the investment portfolio as at 18 July 2014

Yen	100.0
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Performance

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

	<i>Year ended 31 December 2013</i>	<i>3 Years ended 31 December 2013</i>	<i>5 Years ended 31 December 2013</i>
NAV Total Return (undiluted)	+31.8%	+15.5%	+47.5%
Share Price Total Return	+39.5%	+25.8%	+72.5%
Russell Nomura Mid/Small Cap Index Total Return (In Sterling)	+21.7%	+7.0%	+18.9%

The discount of share price to NAV per share as at 31 December 2013 was 8.9 per cent. (and as at 30 June 2014 was 9.5 per cent.).

Investment Outlook

The onset of Prime Minister Shinzo Abe's reform policies (popularly called Abenomics) drove a rapid rise in the Japanese market from late 2012 to mid-May 2013. Share prices then entered a consolidation phase, moving sideways through the summer of 2013, before resuming an upwards trend towards the end of the year. Since the start of 2014, however, Japanese stockmarkets have declined both in absolute terms and relative to other developed markets. This has been driven largely by external factors, such as concerns about China and geopolitical issues. In addition, the recent increase in the consumption tax hike (with a further increase due to take place in October 2015) has increased uncertainty among investors. A certain amount of disappointment regarding the progress of Prime Minister Abe's growth and reform policies has also played a part.

Despite the recent volatility, there has been no significant downgrade to Japanese macroeconomic and micro fundamentals. Japan remains on the right track for long-term growth, and the recent market sell-off has created a number of stock selection opportunities. There continue to be positive earnings trends in Japan, with solid results being accompanied by some quite significant dividend and buyback announcements. Aggregate profits have continually risen quarter-by-quarter and positive earnings revisions suggest that the upward momentum will continue. In light of the recent market correction, the Manager considers that valuations are attractive. Although share prices may remain volatile for the time being due to domestic and external factors, the Manager continues to take a positive mid-to-long-term view of the Japanese market.

Gearing

As set out in the Investment Policy (see above), the Company's policy is to be geared in the belief that long-term investment returns will exceed the cost of gearing. This may be done by (a) entering into CFDs, the effect of which are to provide exposure on a geared basis to certain Japanese equities selected by the Manager and/or (b) the use of bank borrowings. The Board and Manager believe the use of CFDs typically to be a more cost-effective and flexible course of action than traditional bank finance.

(a) CFDs

The Company enters into CFDs with counterparties in order to obtain geared exposure to certain Japanese equities selected by the Manager, and thus utilises CFDs for investment purposes.

The counterparty will purchase the relevant stocks (or exposure to them) in the market onto its own balance sheet and hold the stocks (or exposure) to cover its exposure to the Company for the period that the Company holds the relevant CFDs. The counterparty is obliged to pay the Company to the extent the market price of the securities rises, as well as to pay a sum equal to any dividend income. The Company is obliged to pay the counterparty to the extent the market price falls. The Company does not actually purchase the underlying securities, but is exposed to any movement in the price.

The counterparty also charges the Company a daily funding charge, based on the initial market price of the securities that are the subject of the CFD. The effect is to give the Company an exposure to the

securities on a geared basis, in effect as if the counterparty had lent the Company the money necessary for the Company to acquire the securities and the Company had acquired them.

The net balance payable between the counterparty (on all CFDs) and the Company is calculated on a daily basis and represents the unrealised profit or loss on the outstanding CFDs, with the net balance payable by one counterparty to the other covered by an adjustment to collateral, so that collateral equal to the outstanding balance has been posted (although no collateral adjustment is made where the balance is less than US\$1 million).

The Company gears through the use of CFDs in accordance with, and within the limits set out in, its Investment Policy. The limits on exposure to individual companies and groups are calculated as if the Company had acquired the underlying securities to which any CFD is providing exposure (i.e. on a total exposure basis).

The risk and performance contribution of CFDs to the Company's portfolio is overseen by the Manager's specialist derivative instruments team, which draws on over forty years of specialist experience in derivative risk management. This team uses portfolio risk assessment tools to advise the Manager on portfolio construction and provides the Board with regular reports in order for the Board to consider the usage, the performance and risk profile of these instruments within their pre-determined exposure limits.

As at 18 July 2014 (being the latest practicable date prior to the publication of this Prospectus), the Company had entered into CFDs with exposure of £21,475,000, equating to gearing of 16.2 per cent.

(b) Bank Borrowings

The Company has a Yen 1,400,000,000 overdraft facility with JPMorgan Chase Bank, NA. This facility is rarely used, but it is available to the Company should it need it, for example, as a result of a delayed settlement on a trade.

Dividend Policy

As an investment trust, the Company is required by Chapter 4 of Part 24 of the Taxes Act to distribute sufficient net income so that it retains no more than 15 per cent. of all income. However, the Company's investments do not and are not expected to pay sufficient income to generate net income after taking account of the Company's running costs and accumulated revenue reserve deficit. The Company therefore does not expect that dividends will constitute a material element of the return it offers shareholders. Although the Company's Articles no longer prohibit the distribution as a dividend of surpluses arising from the realisation of investments, the Board has no current intention to pay dividends out of such realisations.

Impact of AIFMD

The aim of the AIFMD is to provide a harmonised and stringent regulatory and supervisory framework for the activities of AIFMs. The AIFMD lays down requirements regarding the manner in which AIFMs should manage the AIFs for which they are responsible. For AIFs like the Company, the AIFMD requires that a depositary is appointed with responsibility for oversight, cash monitoring and safekeeping of assets.

The AIFMD came into effect on 22 July 2013. The United Kingdom has taken advantage of transitional provisions until 22 July 2014 which has permitted the current arrangements to continue for an additional year.

In order to comply with the requirements of the AIFMD, the Company has amended the arrangements that exist regarding management of the Company and appointing a depositary.

The Board has appointed FISL as the AIFM with effect from 22 July 2014. As AIFM, FISL is responsible for the portfolio management and risk management of the Company. It delegates portfolio management back to the Manager, FIL Investment International.

The Board has appointed J.P. Morgan Europe Limited as the depository to the Company. As the depository, J.P. Morgan Europe Limited is responsible for oversight, cash monitoring and safekeeping of assets. It will delegate the custody to JPMorgan Chase Bank, NA, the current custodian to the Company.

Management of the Company

The Board

The Directors are responsible for determining the Company's Investment Policy and have overall responsibility for the Company's activities.

The Board consists of five non-executive Directors, four of whom are considered to be independent of the Manager, including the Chairman. Mr Fraser is considered to be non-independent as he was employed by the Manager until the end of December 2008.

The Directors of the Company are as follows:

David Robins – (Chairman)

Appointed as Director 1 February 2011, appointed as Chairman 10 May 2012. Chairman of the Asian Total Return Investment Company plc, Chairman of Oriel Securities Limited, the privately owned corporate and institutional stockbroking and advisory firm, and a Director of Pemberton Capital Advisers LLP and SVG Capital plc. Previously, he was Chairman and Chief Executive of ING Barings following 18 years with UBS, most recently as Executive Vice President Europe having spent several years in Zurich, New York and Tokyo. Prior to this he was, in succession, a Japanese Economist at the Bank of England, an Executive in the Japanese department of James Capel and then Far Eastern Economist and subsequently Chief International Economist at Philips & Drew. He began his career with the Commonwealth Bank in Sydney.

Simon Fraser

Appointed as Director 11 May 2000. He spent 27 years at Fidelity but retired from his executive responsibilities at the end of 2008. He started his career at Fidelity in 1981 as an analyst and spent a number of years in Japan, most recently as Chief Investment Officer for the Asia/Pacific region. He returned to the UK in 1999 to take up the position of Chief Investment Officer for Fidelity International, a position he held until 2005. He was the Portfolio Manager for Fidelity Japanese Values PLC from its launch in 1994 until August 1997. He is Chairman of Foreign and Colonial Investment Trust plc and Merchants Trust plc. He is also a Director of Ashmore Group plc and Fidelity European Values PLC. He also serves as Honorary Vice President of the National Trust of Scotland and was recently appointed Chairman of the Investor Forum, an organisation set up following the Kay review to encourage long term investment. Mr Fraser is regarded as non-independent as he serves as a director on the board of Fidelity European Values Plc, which is managed by the Manager.

Philip Kay

Appointed as Director 29 October 2004. Former Managing Director and Senior Advisor of Credit Suisse First Boston where he ran the global Japanese cash equity business. He is a Director of two Japanese hedge funds, the Akamatsu Fund and the Akamatsu Bonsai Fund, and is a fellow of Wolfson College, Oxford. Previously he was a Director of Schroder Securities Limited and of Smith New Court PLC.

Sir Laurence Magnus – (Chairman of the Audit Committee)

Appointed as Director 1 October 2010, appointed as Chairman of the Audit Committee 12 May 2011. Senior Advisor to Evercore Partners, the US listed corporate finance advisory business, Chairman of English Heritage and a Director or trustee of a number of private companies and charities. Previously he worked for Samuel Montagu & Co Limited (HSBC Investment Bank) in a corporate finance advisory capacity, including a number of years spent in Singapore with responsibilities in South East Asia. He was subsequently, in succession, a Director of Phoenix Securities, a Managing Director of Donaldson, Lufkin and Jenrette and a Managing Director of Credit Suisse First Boston before joining Lexicon Partners in 2001, initially as Deputy Chairman and subsequently as Chairman prior to its

merger with Evercore in 2011. He is Chairman of J.P. Morgan Income & Capital Trust PLC and a Director of The Cayenne Trust PLC and Pantheon International Participations plc.

David Miller – (Senior Independent Director)

Appointed as a Director 29 October 2004, appointed as Senior Independent Director 1 January 2013. He is also a director of FBG Investment Limited as well as a number of other unquoted companies. He was with Robert Fleming Group from 1972 to 1991, was resident in Japan for nearly eight years and was Head of the Fleming group's Tokyo office.

The Manager

The Company is managed by FIL Investments International, a company incorporated in England and Wales on 13 September 1979 as a private company with registered number 01448245. The Manager is part of the FIL Limited group of companies, which as at 31 December 2013 had total assets under management exceeding £166.4 billion.

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

The AIFM

With effect from 22 July 2014, FIL Investment Services (UK) Limited (**FISL**) has been appointed as the AIFM to the Company. FISL is a company incorporated in England and Wales on 2 May 1986 as a private company with registered number 2016555 and is part of the same group of companies as the Manager (as FIL Limited is the ultimate parent undertaking of both FISL and the Manager). FISL delegates portfolio management back to the Manager.

Administration and Company Secretarial Arrangements

Under the Management Agreement, the Manager provided all services of a company secretarial, accounting and administrative nature (excluding registration services) to the Company (including the calculation of the NAV of the Ordinary Shares). The Manager received an aggregate fee for all its services provided under the Management Agreement including the discretionary management of the Company's assets. Full details of the fees provided for by the Management Agreement are contained in paragraph 11 of Part V of this Prospectus.

With effect from 22 July 2014, under the AIFM Agreement the AIFM will be responsible for the company secretarial, accounting and administrative services. It delegates back to the Manager the provision of company secretarial services to the Company, as previously provided by the Manager under the Management Agreement.

There is no fee change to the overall aggregate fee paid by the Company for management and secretarial services as a result of implementing the AIFMD. The fee payable by the Company under the AIFM Agreement is equal to the fee amount which was payable under the Management Agreement.

Depositary and Custody Arrangements

With effect from 22 July 2014 the Company has appointed J.P. Morgan Europe Limited (the **Depositary**) to act as depositary to the Company. Under the Depositary Agreement, the Depositary has strict liability in relation to financial instruments and is liable for negligence and wilful default. The Depositary is able to delegate safekeeping to another person provided it follows the requirements of the UK AIFMD Rules, which include that the delegation is for objective reasons and that the depositary undertakes due diligence and monitoring of the delegate.

The Depositary delegates the safekeeping of assets to JPMorgan Chase Bank, NA (the **Custodian**) and, together with the Company and the AIFM, has entered into the new Global Custody Agreement, which replaces the Custody Agreement with effect from 22 July 2014.

Under the Global Custody Agreement, the Custodian accepts liability for direct damages from fraud, negligence or wilful misconduct. It is also liable for direct losses incurred from the failure of a Sub-custodian to use reasonable care in the provision of custodial services, the fraud or wilful misconduct of such Sub-custodian. For non-Affiliate Sub-custodians, the Custodian will not be liable for their insolvency.

Details of the fees payable to the Depositary and to the Custodian are set out in paragraph 11 of Part V of this Prospectus.

Financial Statements

The Company prepares its financial statements in accordance with the 2006 Act and UK GAAP and with the AIC Statement of Recommended Practice (SORP) for Investment Trust Companies and Venture Capital Trusts dated January 2009. UK GAAP, the SORP and the resulting accounting treatments are subject to change and this may affect the Company's calculation of NAV. Changes in the Company's accounting policies could also adversely affect Shareholders.

Reports to Shareholders and AGMs

The Company's annual report and financial statements are prepared up to 31 December each year. The Company's AGMs are usually held in May of each year, though it is the Company's intention to hold the 2016 AGM in July of that year.

PART III

FINANCIAL INFORMATION RELATING TO THE COMPANY

1. Statutory Accounts for the Three Financial Years Ended 31 December 2011, 2012 and 2013

Statutory accounts of the Company for the three financial years ended 31 December 2011, 2012 and 2013, in respect of which the Company's Auditors have given unqualified opinions that such accounts give a true and fair view of the state of affairs of the Company and of its total return and cash flows and have been properly prepared in accordance with the Companies Act 2006 and UK GAAP, have been incorporated in this Prospectus by reference.

The auditor to the Company for the financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 was Grant Thornton UK LLP of 30 Finsbury Square, London EC2P 2YU. Grant Thornton UK LLP is a member of the Institute of Chartered Accountants in England and Wales.

2. Published Annual Reports and Financial Statements for the Three Financial Years Ended 31 December 2011, 2012 and 2013

2.1 *Historical financial information*

The published annual reports and audited financial statements for the Company for the three financial years ended 31 December 2011, 2012 and 2013, which have been incorporated into this Prospectus by reference, included, on the pages specified in the table below, the following information:

<i>Nature of Information</i>	<i>Annual report and accounts for the year ended 31 December (audited)</i>		
	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>Page No(s)</i>	<i>Page No(s)</i>	<i>Page No(s)</i>
Income statement	33	33	41
Reconciliation of movements in Shareholders' funds	34	34	42
Balance sheet	35	35	43
Cash flow statement	36	36	44
Accounting policies	37 – 38	37 – 38	45 – 46
Notes to the accounts	37 – 48	37 – 49	45 – 56
Independent auditors' report	32	32	39 – 40
Chairman's statement	3 – 5	3 – 5	3 – 4
Investment Manager's report	6 – 7	6 – 8	5 – 10
Directors' report	15 – 22	15 – 22	23 – 26

2.2 *Selected financial information*

The key audited figures that summarise the Company's financial condition in respect of the three financial years ended 31 December 2011, 2012 and 2013, which have been extracted without material adjustment from the historical financial information referred to in paragraph 2.1 of this Part III, are set out in the following table:

	<i>As at or for the year ended 31 December (audited)</i>		
	<i>2011</i>	<i>2012</i>	<i>2013</i>
Net assets (£'000)	62,535	58,034	90,042
NAV per share – undiluted (pence)	64.17	59.94	79.02
<i>Revenue Return</i>			
Total income (£'000)	1,445	1,289	1,440
Net return/(loss) (£'000)	20	(55)	(331)
Return/(loss) per share - undiluted (pence)	0.02	(0.06)	(0.30)
Dividend per share (pence)	Nil	Nil	Nil
<i>Total Return</i>			
Net (loss)/return (£'000)	(3,923)	(4,180)	22,612
Net (loss)/return per share - undiluted (pence)	(4.04)	(4.30)	20.34

2.3 *Operating and financial review*

The Company's published audited annual reports and financial statements for the three financial years ended 31 December 2011, 2012 and 2013 included, on the pages specified in the table below: descriptions of the Company's financial condition (in both capital and revenue terms); details of the Company's investment activity and portfolio exposure; and changes in its financial condition for each of those years:

	<i>Annual report and financial statements for the year ended 31 December (audited)</i>		
	<i>2011</i>	<i>2012</i>	<i>2013</i>
<i>Nature of Information</i>	<i>Page No(s)</i>	<i>Page No(s)</i>	<i>Page No(s)</i>
Chairman's statement	3 – 5	3 – 5	3 – 4
Investment Manager's report	6 – 7	6 – 8	5 – 10
Portfolio analyses	9, 49 – 51	10, 50 – 52	16, 19 – 21
Performance, discount and financial record	2, 10 – 12	2, 11 – 13	2, 17 – 18

The issue of the Subscription Shares itself has no impact on the Company's assets, earnings or liabilities. Where Subscription Shares are converted into Ordinary Shares, the total assets of the Company will increase by that number of Ordinary Shares multiplied by the relevant Subscription Price. It is not expected that there will be any material impact on the earnings and liabilities per Ordinary Share as the net proceeds resulting from any conversion are expected to be invested in accordance with the investment objective and policy of the Company.

2.4 *Availability of annual reports and financial statements for inspection*

Copies of the Company's audited annual reports and financial statements for the three financial years ended 31 December 2011, 2012 and 2013 are available for inspection at the address set out in paragraph 18 of Part V of this Prospectus.

3. **Significant Change**

There has been no significant change in the financial or trading position of the Company since 31 December 2013, being the date to which the latest audited yearly results of the Company were published.

4. **Capitalisation and Indebtedness**

The following table, sourced from the Company's internal accounting records, shows the Company's unaudited indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 30 June 2014 and the Company's audited capitalisation as at 31 December 2013 (being the last date in respect of which the Company has published financial information).

	<i>30 June 2014</i>
	<i>£'000</i>
<i>Total Current Debt</i>	
Guaranteed Secured	nil
Unguaranteed/unsecured	nil
<i>Total Non-Current Debt</i>	
Guaranteed Secured	nil
Unguaranteed/unsecured	nil
	<i>31 December 2013</i>
	<i>£'000</i>
<i>Shareholder equity</i>	
Share capital	28,489
Share premium account	6,712
Capital redemption reserve	2,621
Other reserve	57,568
Capital reserve	8,454
Revenue reserve	(13,802)
Total	<u>90,042</u>

As at 18 July 2014 (being the latest practicable date prior to the publication of this Prospectus), there has been no material change in the capitalisation of the Company since 31 December 2013 (being the last date in respect of which the Company has published financial information).

The following table, sourced from the Company's internal accounting records, shows the Company's unaudited net indebtedness as at 30 June 2014.

	<i>30 June 2014</i>
	<i>£'000</i>
A. Cash	2,416
B. Cash Equivalent	nil
C. Trading securities	468
D. Liquidity (A+B+C)	2,884
E. Current financial receivable	273
F. Current bank debt	nil
G. Current portion of non-current debt	nil
H. Trading securities payable	(505)
I. Other current financial debt	(422)
J. Current financial debt (F+G+H+I)	(927)
K. Net current financial indebtedness (J-E-D)	2,230
L. Non-current bank loans	nil
M. Bonds issued	nil
N. Other non-current loans	nil
O. Non-current financial indebtedness (L+M+N)	nil
P. Net financial indebtedness (K+O)	2,230

5. Working Capital

In the opinion of the Company, the Company has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of this Prospectus.

PART IV

PARTICULARS OF THE SUBSCRIPTION SHARES

Conditional upon the passing of the Resolution at the General Meeting and Admission, the Subscription Shares are expected to be issued on 27 August 2014 and will carry the rights described below. The Articles will be replaced with the New Articles which will incorporate these rights.

1. Subscription Share Rights

- (a) A registered holder for the time being of a Subscription Share (a “**Subscription Shareholder**”) shall have a right (the “**Subscription Share Right**”) exercisable on the last business day of each month commencing in September 2014 and finishing on the last business day in April 2016 (the “**Final Subscription Date**”, any date on which exercise occurs being described as a “Subscription Date”), to subscribe for all or any of the Ordinary Shares to which his Subscription Shares relate at the price per Ordinary Share to be determined by the Company as being equal to a 2 per cent. premium to the published NAV per Ordinary Share as at 5.00 p.m. on 26 August, rounded up to the nearest quarter penny (the “**Subscription Price**”).

The Subscription Price shall be payable in full in Sterling on subscription.

Each Subscription Share has a subscription share right to one Ordinary Share, but the Subscription Price (and/or the number of Subscription Shares outstanding) will be subject to adjustment as provided in paragraph 2 below.

The NAV for the purpose of calculating the Subscription Price means the unaudited value of all the Company’s assets calculated in accordance with the Company’s accounting policies (including revenue items for the current financial year) less all prior charges and other creditors at their fair value (including the costs of the Bonus Issue).

It is expected that the Subscription Price will be announced via a Regulatory Information Service on or around 27 August 2014.

- (b) Subscription Shares will be issued in registered form and may be held in either certificated form (the “**Certificated Subscription Shares**”) or uncertificated form (the “**Uncertificated Subscription Shares**”). In the case of:
- (i) Certificated Subscription Shares, a Subscription Shareholder will be entitled to a share certificate in respect of his holding of Subscription Shares; and
 - (ii) Uncertificated Subscription Shares, a Subscription Shareholder’s title to such Subscription Shares will be recorded in the relevant register as being held in such form as will by virtue of the Uncertificated Securities Regulations enable the transfer of title to the Subscription Shares to be effected without a written instrument by means of a relevant electronic system (a “**Relevant Electronic System**”).
- (c) In order to exercise, in whole or in part, the Subscription Share Rights which are conferred by any Certificated Subscription Shares, the Subscription Shareholder must lodge the relevant Subscription Share certificate(s) (or such other document(s) as the Directors may, in their absolute discretion, accept) at the office of the Registrars not later than 5.00 p.m. on the relevant Subscription Date, having completed the notice of exercise of Subscription Share Rights thereon (or by giving such other notice of exercise of Subscription Share Rights as the Directors may, in their absolute discretion, accept) (“**Subscription Notice**”), accompanied by a remittance for the aggregate Subscription Price for the Ordinary Shares in respect of which the Subscription Share Rights are being exercised. The Directors may accept as valid, Subscription Notices which are received after the relevant Subscription Date provided they are accompanied by the correct remittance, as described above. Once lodged, a Subscription Notice shall be irrevocable save with the consent of the Directors. To be effective, compliance must also be made with any statutory and regulatory requirements for the time being applicable.

- (d) The Subscription Share Rights which are conferred by any Uncertificated Subscription Shares on the relevant Subscription Date shall be exercisable, in whole or in part, (and treated by the Company as exercised) on the relevant Subscription Date if, not later than 5.00 p.m. on the relevant Subscription Date, (i) an Uncertificated Subscription Notice is received as referred to below and (ii) a remittance for the aggregate Subscription Price for the Ordinary Shares in respect of which the Subscription Share Rights are being exercised is received by the Company (or by such person as it may require for these purposes).

For these purposes, an Uncertificated Subscription Notice shall mean a properly authenticated dematerialised instruction and/or other instruction or notification received by the Company (or by such person as it may require for these purposes) in such form and subject to such terms and conditions as may from time to time be prescribed by the Directors (subject always to the regulations and the facilities, rules and requirements of the Relevant Electronic System).

The Directors may, in addition but subject to the regulations and facilities and requirements of the Relevant Electronic System, determine when any such properly authenticated dematerialised instruction and/or other instruction or notification and any such remittance is to be treated as received by the Company or by such person as it may require for these purposes. Without prejudice to the generality of the foregoing, the effect of the Uncertificated Subscription Notice may be such as to divest the holder of the Subscription Shares concerned of the power to transfer such Subscription Shares to another person. Once lodged, an Uncertificated Subscription Notice shall be irrevocable save with the consent of the Directors. To be effective, compliance must also be made with any statutory and regulatory requirements for the time being applicable.

- (e) Not later than 30 days before the Final Subscription Date, the Company shall give notice in writing to the holders of the outstanding Subscription Shares reminding them of their Subscription Share Rights and, in relation to any Uncertificated Subscription Shares, stating the form of Uncertificated Subscription Notice prescribed by the Directors.
- (f) Ordinary Shares issued pursuant to the exercise of Subscription Share Rights which are conferred by any Certificated Subscription Shares will be allotted within ten Business Days of the relevant Subscription Date, save in the case of the Final Subscription Date when the relevant Ordinary Shares will be allotted not later than ten Business Days after the Final Subscription Date. The Ordinary Shares arising on conversion shall be allotted with effect from the date of their allotment (and not the date upon which the notice of exercise is given or deemed given in accordance with paragraph 1(c) above). Certificates in respect of such Ordinary Shares, together, if applicable, with a new certificate for the balance of any Certificated Subscription Shares in respect of which the Subscription Share Rights have not been exercised, will be despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant allotment date to the person(s) in whose name(s) the Subscription Share is registered at the date of exercise (and, if more than one, to the first-named, which shall be sufficient despatch for all) or (subject as provided by law and to the payment of stamp duty reserve tax or any other tax as may be applicable) to such other person(s) (not being more than four in number) as may be named in the form of nomination available for the purpose from the Registrars (and, if more than one, to the first-named, which shall be sufficient despatch for all).
- (g) Ordinary Shares issued pursuant to the exercise of Subscription Share Rights which are conferred by any Uncertificated Subscription Shares will be allotted within ten Business Days of the relevant Subscription Date, save in the case of the Final Subscription Date when the relevant Ordinary Shares will be allotted not later than ten Business Days after the Final Subscription Date. The Ordinary Shares arising on conversion shall be allotted with effect from the date of their allotment (and not the date upon which the Uncertificated Subscription Notice is given in accordance with paragraph 1(d) above). The Company shall procure that the appropriate instructions are given to enable such Ordinary Shares to be credited in uncertificated form to the relevant account within the Relevant Electronic System of the person(s) in whose name(s) the Subscription Shares in respect of which Subscription Share Rights have been exercised were registered as at the date of such exercise or (subject as provided by law, to the payment of stamp duty reserve tax or any other tax as may be applicable, to such terms and conditions as the Directors may from time to time prescribe for this purpose, to the regulations, and the facilities, rules and requirements of the Relevant Electronic System) to such other person(s) (not being

more than four in number) as may be named in the properly authenticated dematerialised instruction and/or other instruction or notification in such form.

- (h) For the avoidance of doubt, unless the Directors otherwise determine or unless the regulations or the facilities, rules or requirements of the Relevant Electronic System otherwise require, the Ordinary Shares issued on the exercise of any Subscription Share Rights shall be issued in certificated form where such Subscription Share Rights were conferred by Certificated Subscription Shares and in uncertificated form where such Subscription Share Rights were conferred by Uncertificated Subscription Shares.
- (i) Ordinary Shares allotted pursuant to the exercise of Subscription Share Rights will not rank for any dividends or other distributions declared, paid or made on the Ordinary Shares by reference to a record date prior to the relevant allotment date but, subject thereto, will rank in full for all dividends and other distributions declared, paid or made on the Ordinary Shares and otherwise will rank *pari passu* in all other respects with the Ordinary Shares in issue at the relevant allotment date.
- (j) For so long as the Company's Ordinary Shares are admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities, it is the intention of the Company to apply (i) to the UK Listing Authority for the Ordinary Shares allotted pursuant to any exercise of Subscription Share Rights to be admitted to the Official List and (ii) to the London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. The Ordinary Shares arising pursuant to any exercise of Subscription Share Rights will be allotted subject to admission to the Official List and to trading on the London Stock Exchange's main market for listed securities. Official List for this purpose means the official list of the UK Listing Authority. UK Listing Authority for this purpose means the Financial Conduct Authority of the United Kingdom acting in its capacity as the competent authority for the purposes of Part V of the FSMA.
- (k) Each notice of exercise of Subscription Share Rights and each Uncertificated Subscription Notice will be deemed to contain a representation that at the time of submission to the Company, the holder of the Subscription Shares concerned is not a US Person (as defined in paragraph 1(l) below) or a person in Canada, Australia, Japan, New Zealand or the Republic of South Africa or, if he is such a person, his exercise of Subscription Share Rights is permitted by, and will not infringe, the securities laws of the relevant jurisdiction.
- (l) Without prejudice to the generality of the final sentences of paragraphs 1(c) and 1(d) above, the exercise of Subscription Share Rights by any Subscription Shareholder or beneficial owner of the Subscription Shares who is a US Person or a person in Canada, Australia, Japan, New Zealand or the Republic of South Africa or the right of such a Subscription Shareholder or beneficial owner to receive the Ordinary Shares falling to be issued to him following the exercise of his Subscription Share Rights, will be subject to such requirements, conditions, restrictions, limitations or prohibitions as the Company may at any time impose, in its sole discretion, for the purpose of complying with (or for avoiding any requirement which would otherwise arise to comply with) the securities laws of the United States (including, without limitation, the Securities Act, the United States Investment Company Act of 1940, as amended, and any rules or regulations promulgated under such Acts) and the laws of Canada, Australia, Japan, New Zealand and the Republic of South Africa. As used herein, US Person means any person or entity defined as such in Rule 902 (o) under the Securities Act and, without limiting the generality of the foregoing, US Person includes a natural person resident in the United States, a corporation, partnership or other entity created, organised or incorporated under the laws of the United States (including any State thereof) and an estate or trust, if any executor, administrator or trustee is a US Person, but shall not include a branch or agency of a US Person located outside the United States if such agency or branch operates for valid business reasons and is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located, and United States means the United States of America (including the States thereof and the District of Columbia), its territories and possessions or other areas subject to its jurisdiction

2. Adjustments of Subscription Share Rights

The Subscription Price (and/or the number of Subscription Shares outstanding) shall from time to time be adjusted in accordance with the provisions of this paragraph 2:

- (a) If and whenever there shall be an alteration on a date (or by reference to a record date) on or before the Final Subscription Date in the nominal amount of the Ordinary Shares as a result of a consolidation or sub-division, the Subscription Price in force immediately prior to such alteration shall be adjusted by multiplying it by a fraction of which (x) the numerator shall be the nominal amount of one such Ordinary Share immediately after such alteration and (y) the denominator shall be the nominal amount of one such Ordinary Share immediately prior to such alteration, and such adjustment shall become effective on the date the alteration takes effect.
- (b) If and whenever the Company shall allot to holders of Ordinary Shares any Ordinary Shares credited as fully paid by way of capitalisation of reserves or profits (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend) on a date (or by reference to a date) on or before the Final Subscription Date, the Subscription Price in force immediately prior to such allotment shall be adjusted by multiplying it by a fraction of which (x) the numerator shall be the aggregate nominal amount of the issued Ordinary Shares immediately before such allotment and (y) the denominator shall be the aggregate nominal amount of the issued and allotted Ordinary Shares immediately after such allotment and such adjustment shall become effective as at the date of allotment of such Ordinary Shares.
- (c) If on a date (or by reference to a record date) on or before the Final Subscription Date, the Company makes any offer or invitation (whether by way of rights issue, open offer or otherwise but not being an offer made in connection with scrip dividend arrangements) to the holders of the Ordinary Shares (subject to such exclusions as may be necessary to deal with legal, regulatory or practical problems in any jurisdiction) to subscribe for new Ordinary Shares or for securities convertible into or exchangeable for Ordinary Shares or conferring rights to subscribe for Ordinary Shares, or any offer or invitation (not being an offer to which paragraph 3(g) below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then Subscription Shareholders as if their Subscription Share Rights had been exercised on the date immediately preceding the record date for such offer or invitation on the terms (subject to any adjustment made previously pursuant to paragraphs 2(a) to (f)) on which the same could have been exercised on that date, provided that, if the Directors so resolve in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the then Subscription Shareholders but the Subscription Price shall be adjusted:
 - (i) in the case of an offer of new Ordinary Shares for subscription by way of a rights issue at a price less than the market price at the date of announcement of the terms of the offer, by multiplying the Subscription Price by a fraction of which the numerator is the number of Ordinary Shares in issue on the date of such announcement plus the number of Ordinary Shares which the aggregate amount payable for the total number of new Ordinary Shares comprised in such rights issue would purchase at such market price and the denominator is the number of Ordinary Shares in issue on the date of such announcement plus the aggregate number of Ordinary Shares offered for subscription; and
 - (ii) in any other case, in such manner as the independent financial advisers appointed by the Board shall report in writing to be fair and reasonable.

Any such adjustments shall become effective, in the case of (i) above, as at the date of allotment of the new Ordinary Shares which are the subject of the offer or invitation and, in the case of (ii) above, as at the date determined by the independent financial advisers appointed by the Board. For the purposes of this paragraph “**market price**” shall mean the average of the middle market quotations (as derived from the Official List) for one Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding the day on which the market price is to be ascertained.

- (d) No adjustment will be made to the Subscription Price pursuant to paragraphs 2(a), (b) or (c) above (other than by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above) if it would result in an increase in the Subscription Price and, in any event, no adjustment will be made if such adjustment would (taken together with the amount of any adjustment carried forward under the provisions of this paragraph 2(d)) be less than 1 per cent. of the Subscription Price then in force and on any adjustment the adjusted Subscription Price will be rounded down to the nearest whole penny. Any adjustment not so made and any amount by which the Subscription Price is rounded down will be carried forward and taken into account in any subsequent adjustment.
- (e) Whenever the Subscription Price is adjusted as provided in accordance with paragraphs 2(a) to (d) above (other than by reason of and to reflect a consolidation of Ordinary Shares as referred to in paragraph 2(a) above), the Company shall issue, for no payment, additional Subscription Shares to each Subscription Shareholder at the same time as such adjustment takes effect and the nominal value of such shares shall be paid up in full in accordance with paragraph 8(g)(v). The number of additional Subscription Shares to which a holder of Subscription Shares will be entitled shall be the number of existing Subscription Shares held by him before such adjustment multiplied by the following fraction:

$$\frac{X - Y}{Y}$$

where:

X= the Subscription Price (for the next Subscription Date) immediately before the adjustment of the Subscription Price; and

Y= the Subscription Price (for the next Subscription Date) immediately after the adjustment of the Subscription Price.

Fractions of Subscription Shares will not be allotted to holders of Subscription Shares but all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the Subscription Shareholders entitled thereto at the risk of such persons, save that amounts of less than £5 will be retained for the benefit of the Company. Subscription Share certificates relating to such additional Certificated Subscription Shares will be issued within 21 days of the said adjustment taking effect or the Company will procure that appropriate instructions are given to enable such additional Uncertificated Subscription Shares to be credited to the relevant account within the Relevant Electronic System of the person(s) in whose name(s) the Subscription Shares are registered as at the date of the adjustment.

- (f) Whenever the Subscription Price is adjusted in accordance with this paragraph by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above, the number of Ordinary Shares into which each holder of Subscription Shares is entitled to convert such Subscription Shares will be reduced accordingly.
- (g) The Company shall give notice to holders of Subscription Shares within 28 days of any adjustment made pursuant to paragraphs 2(a) to (f) above.
- (h) If a holder of Subscription Shares shall become entitled to exercise his Subscription Share Rights pursuant to paragraph 3(g) below, the Subscription Price payable on such exercise (but not otherwise) shall be reduced by an amount determined by the financial advisers in accordance with the following formula:

$$A = (B + C) - D$$

where:

A= the reduction in the Subscription Price;

B= the Subscription Price which would, but for the provisions of this paragraph 2(h), be applicable (having taken into account any adjustments previously made pursuant to paragraphs 2(a) to (f) above) on the date on which the Company shall become aware as provided in paragraph 3(g) below;

C= the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Subscription Share for the 10 consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 3(g) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made; and

D= the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Ordinary Share for the 10 consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 3(g) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made,

provided that:

- (i) the Subscription Price shall not be reduced so as to cause the Company to be obliged to issue Ordinary Shares at a discount to nominal value and, if the application of the above formula would, in the absence of this proviso (i), have reduced the Subscription Price to below the nominal value of an Ordinary Share, the number of Ordinary Shares for which a holder of a Subscription Share may subscribe pursuant to paragraph 3(g) below shall be adjusted in such manner as the Financial Advisers shall report to be appropriate to achieve the same economic result for the Subscription Shareholders as if the Subscription Price had been reduced without regard to this proviso 2(i); and
- (ii) no adjustment shall be made to the Subscription Price where the value of D exceeds the aggregate value of B and C in the above formula.

The notice required to be given by the Company under paragraph 3(g) below shall give details of any reduction in the Subscription Price pursuant to this paragraph 2(h).

- (i) Notwithstanding the provisions of paragraphs 2(a) to 2(h) above, in any circumstances where the Directors shall consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided under the said provisions, the Company may appoint the financial advisers to consider whether for any reason whatsoever the adjustment to be made (or the absence of adjustment) would or might not appropriately reflect the relative interests of the persons affected thereby and, if the financial advisers shall consider this to be the case, the adjustment shall be modified or nullified, or another adjustment made instead, or no adjustment made, in such manner including, without limitation, making an adjustment calculated on a different basis and /or to take effect from such other date and/or time as shall be reported by the financial advisers to be in their opinion appropriate.
- (j) For the purposes of this paragraph 2 the “**diluted NAV per ordinary share**” shall be the amount calculated in accordance with the following formula:

$$\text{DNAV} = \frac{\text{A} + \text{B}}{\text{C} + \text{D}}$$

where:

DNAV = the diluted NAV per ordinary share;

A = the net assets of the company as at the close of business on the business day immediately preceding the pricing date;

B = an amount equal to the product of (x) the number of new ordinary shares which would fall to be issued by the company if the rights conferred by all relevant securities were exercisable and had been exercised in full on the business day immediately preceding the pricing date at the conversion, exchange or subscription price (as the case may be) applicable on the next occasion on which such rights are then capable of exercise (disregarding, in the case of the subscription shares, any adjustment required by reason of the relevant offer or invitation under this paragraph 2) and (y) such conversion, exchange or subscription price (as the case may be);

C = the number of ordinary shares in issue as at the pricing date; and

D = the number of new ordinary shares that would result from the exercise in full (on the basis set out in B above) of all the rights conferred by the relevant securities.

3. Other Provisions

So long as any Subscription Share Rights remain capable of exercise:

- (a) the Company shall not (except with the sanction of a special resolution of the Subscription Shareholders):
 - (i) make, pay or declare any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid Ordinary Shares;
 - (ii) issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holders of its Ordinary Shares or the issue of further Subscription Shares to the Subscription Shareholders in accordance with the rights attaching to the Subscription Shares; or
 - (iii) on or by reference to a record date falling within the period of six weeks ending on the Final Subscription Date, make any such allotment as is referred to in paragraph 2 above or any such offer or invitation as is referred to in in paragraph 2 above (except by extending to the Subscription Shareholders any such offer or invitation as may be made by a third party);
- (b) the Company shall not (except with the sanction of a special resolution of the Subscription Shareholders) in any way modify the rights attached to its Existing Ordinary Shares as a class, or create or issue any new class of equity share capital except for shares which carry, as compared with the rights attached to the Existing Ordinary Shares, rights which are not more advantageous as regards voting, dividend or return of capital (save as to the date from which such shares shall rank for dividends or distributions), provided that nothing herein shall restrict the right of the Company to increase, consolidate or sub-divide its share capital or to issue further Ordinary Shares which carry, as compared to the rights attached to the Existing Ordinary Shares, rights which are not more advantageous as regards voting, dividends or return of capital;
- (c) the Company shall not issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in paragraph 2(c) if, in either case, the Company would on any subsequent exercise of the Subscription Share Rights be obliged to issue Ordinary Shares at a discount to nominal value;
- (d) the Company shall not (except with the sanction of a special resolution of the holders of the Subscription Shares or in connection with a purchase of shares made in accordance with paragraph 3(j) below or for a reduction not involving any payment to Shareholders) reduce any of its share capital or any uncalled or unpaid liability in respect of any of its share capital;
- (e) the Company shall not allot, or grant rights to subscribe for, or convert any security into, shares in the capital of the Company to the extent that subsequent to such issue it would not have sufficient authority to allot Ordinary Shares to satisfy in full all subscription share rights remaining exercisable;

- (f) except in the circumstances where paragraph 2(c) applies, the Company shall not grant (or agree to grant) any option in respect of, or create any rights of subscription for, or conversion into, any Ordinary Shares, the nominal amount of which, together with the aggregate nominal amount of any Ordinary Shares over which options or rights of subscription or conversion (including those of the Subscription Shares) shall be subsisting at the date of such grant or creation, would exceed in the aggregate 20 per cent. of the nominal amount of the Ordinary Shares (excluding any treasury shares) then in issue, nor (except with the sanction of a special resolution of the Subscription Shareholders) will the Company grant (or offer or agree to grant) any such option in respect of, or create any such rights of subscription for, or issue any securities or loan capital carrying rights of conversion into, Ordinary Shares if the price at which any such option or right is exercisable is lower than the Subscription Price for the time being;
- (g) subject as provided in paragraph 3(h) below, if at any time an offer is made to all Shareholders (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware on or before the Final Subscription Date that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons as aforesaid, the Company shall give notice to the Subscription Shareholders of such vesting or pending vesting within 14 days of its becoming so aware, and each such Subscription Shareholder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his Subscription Share Rights on the terms (having taken into account any adjustments pursuant to paragraphs 2(a) to (f) and 2(h) above) on which the same could have been exercised if they had been exercised on the date on which the Company shall become aware as aforesaid. The publication of a scheme of arrangement under sections 895 to 901 of the 2006 Act providing for the acquisition by any person of the whole or any part of the issued ordinary share capital of the Company shall be deemed to be the making of an offer for the purposes of this paragraph 3(g) and reference herein to such an offer shall be read and construed accordingly;
- (h) if under any offer as referred to in paragraph 3(g) above the consideration shall consist solely of the issue of ordinary shares of the offeror and the offeror shall make available an offer of securities to subscribe for ordinary shares in the offeror in exchange for the Subscription Shares, which offer the financial advisers to the Company (acting as experts and not as arbitrators) shall consider to be fair and reasonable (having regard to the terms of the offer and any other circumstances which may appear to such financial advisers to be relevant), then a Subscription Shareholder shall not have the right to exercise his Subscription Share Rights on the basis referred to in paragraph 3(g) above and, subject to the offer as referred to in paragraph 3(g) above becoming or being declared wholly unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued ordinary share capital of the Company not already owned by it or its associates (as defined in section 988 of the 2006 Act), any Director shall be irrevocably authorised as attorney for the holders of Subscription Shares who have not accepted the offer of securities to subscribe for ordinary shares in the offeror in exchange for the relevant Subscription Shares and who have not exercised the Subscription Share Rights attaching to their Subscription Shares before such offer becomes or is declared unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued ordinary share capital of the Company not already owned by it or its associates:
 - (i) to execute a transfer of the Subscription Shares held by such holders in favour of the offeror in consideration of the issue of securities to subscribe for ordinary shares in the offeror as aforesaid, whereupon all the Subscription Share Rights shall lapse; and
 - (ii) to do such acts and things as may be necessary or appropriate in connection therewith;
- (i) if an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by a special resolution of the Subscription Shareholders), each Subscription Shareholder shall be entitled to receive out of the assets available in the liquidation, *pari passu* with the holders of the Ordinary Shares and *pro rata* to their holding of Subscription Shares as at the commencement of the

liquidation, such proportion of the assets available for distribution and distributed in the liquidation as is equal to the greater of:

(i)
$$\frac{MP \times N}{SA}$$

where:

MP= the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Subscription Share for the five consecutive dealing days ending on the dealing day immediately preceding the date of the presentation of the petition for such order or of the notice convening the meeting at which such resolution shall be passed (as the case may be) or, if applicable and earlier, the date of the first announcement of the presentation of such petition or the convening of a meeting (as the case may be) or that the same is proposed

N= the number of Subscription Shares in issue immediately prior to the commencement of the liquidation

SA = the surplus assets available in the liquidation and

(ii)
$$\frac{IV \times N}{SA}$$

where:

IV = the excess of the Diluted NAV per Ordinary Share over the Subscription Price immediately prior to the commencement of the liquidation

N= the number of Subscription Shares in issue immediately prior to the commencement of the liquidation

SA = the surplus assets available in the liquidation

For the avoidance of doubt, the entitlement of Subscription Shareholders pursuant to this paragraph 3(i) shall be payable out of the assets available in the liquidation without the Subscription Shareholders having to make any subscription or payment. Subject to the foregoing, all Subscription Share Rights shall lapse on liquidation of the Company.

Notwithstanding the foregoing provisions of this paragraph 3(i), where the Directors, in their reasonable opinion, shall consider that the economic result produced by the application of such provisions would or might not fairly and appropriately reflect the relative interests of the persons affected thereby, the Directors may appoint the Financial Advisers to consider and report on what (if any) adjustments should be made to such provisions so as to produce an economic result which, in the opinion of the Financial Advisers, fairly and appropriately reflects the relative interests of the persons affected thereby, and in the event of any such report by the Financial Advisers the provisions of this paragraph 3(i) shall be deemed to be varied and take effect accordingly.

- (j) Notwithstanding paragraphs 3(a) to (i) above, the Company may, without the sanction of special resolution of the Subscription Shareholders:
- (i) issue new Ordinary Shares at a premium to NAV;
 - (ii) purchase any of its own equity share capital (whether by tender, by private treaty or through the market);
 - (iii) hold its Ordinary Shares in treasury and sell any such Ordinary Shares held in treasury; and
 - (iv) effect a reduction in its share premium account or capital redemption reserve in accordance with the provisions of the 2006 Act.

4. Issue of C Shares

- (a) Notwithstanding the provisions of paragraph 3 above, a Qualifying C Share Issue (as defined in (b) below) shall not constitute an alteration or abrogation of the rights attached to the Subscription Shares (and shall not require the sanction of a special resolution of the Subscription Shareholders), even though it may involve modification of the rights attached to the Existing Ordinary Shares of the Company or the creation or issue of a new class of equity share capital, if the Directors are of the opinion (having regard to all the circumstances) that such issue should not have any material dilutive effect on the NAV per Ordinary Share.
- (b) For this purpose, a “**Qualifying C Share Issue**” means an issue by the Company of shares which will, within one year of the date of issue thereof, be converted into Ordinary Shares ranking pari passu in all respects with the Ordinary Shares then in issue (other than, if the case requires, as regards dividends or other distributions declared, paid or made in respect of the financial year in which the conversion takes place) and may include the issue in connection therewith of subscription shares or warrants (whether on the same terms and conditions as the Subscription Shares or otherwise) and any matters reasonably incidental to the process by which such shares are converted into Ordinary Shares, including but not limited to the creation, issue, sub-division, consolidation, redesignation, purchase, redemption or cancellation of any share capital of the Company, including share capital with preferred or deferred rights.

5. Modification of Rights

All or any of the rights for the time being attached to the Subscription Shares and any of these terms and conditions may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of a special resolution of the Subscription Shareholders.

6. Purchase

Subject to the provisions of the 2006 Act the Company (or any of its subsidiaries) shall have the right to purchase Subscription Shares in the market, by tender or by private treaty but:

- (a) such purchases will be limited to a maximum price per Subscription Share which (other than in the case of purchases by tender) will not exceed the higher of (i) 5 per cent. above the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for a Subscription Share for the five consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made and (ii) the value of a Subscription Share calculated on the basis of the higher of the price quoted for (a) the last independent trade of, or (b) the highest current independent bid for, any number of Subscription Shares on the trading venue where the purchase is carried out; and
- (b) if such purchases are by tender, such tender will be available to all Subscription Shareholders alike.

All Subscription Shares so purchased shall forthwith be cancelled and shall not be available for reissue or resale.

7. Transfer

Each Subscription Share will be in registered form and will be transferable:

- (a) in the case of Certificated Subscription Shares, by an instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors; and
- (b) in the case of Uncertificated Subscription Shares, by giving the appropriate instructions for transfer by means of the Relevant Electronic System.

No transfer of a fraction of a Subscription Share may be effected.

8. General

- (a) The Company will, concurrently with the issue of the same to the holders of the Ordinary Shares, send to each Subscription Shareholder (or, in the case of joint holders, to the first named) a copy of each published annual report and financial statements of the Company (or such abbreviated or summary financial statement sent to holders of Ordinary Shares in lieu thereof), together with all documents required by law to be annexed thereto, and a copy of every other statement, notice or circular issued by the Company to holders of Ordinary Shares.
- (b) For the purposes of the rights attaching to Subscription Shares, a special resolution of the Subscription Shareholders means a resolution proposed at a meeting of the Subscription Shareholders duly convened and passed by a majority consisting of not less than 75 per cent. of the votes cast, whether on a show of hands or on a poll.
- (c) Any determination or adjustment made pursuant to the rights attaching to Subscription Shares by the Financial Advisers shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company and each of the Subscription Shareholders.
- (d) Subject and without prejudice to paragraph 3(i) above, Subscription Shares carry no right to any dividend or other distribution by the Company and (save to the extent that the Directors elect in connection with an exercise of Subscription Share Rights as provided in paragraph 8(h) below) no right to be redeemed (although the Company may elect to purchase Subscription Shares pursuant to paragraph 6). Subscription Shareholders are not entitled to attend or vote at meetings of Ordinary Shareholders and have no right to share in any surplus in the event of liquidation beyond the right to be repaid a sum (rounded up to the nearest whole penny) equal to the nominal value of each Subscription Share (in respect of which Subscription Share Rights have not been exercised) held (which right ranks immediately after the right of the Ordinary Shareholders to be repaid the nominal value of twenty five pence for each Ordinary Share), but subject and without prejudice to paragraph 3(i) above.
- (e) If, immediately after any Subscription Date (other than the Final Subscription Date) and after taking account of any Subscription Share Rights exercised on that date, Subscription Share Rights shall have been exercised or cancelled in respect of 75 per cent. or more of the Subscription Shares originally issued (subject to the adjustment of the number of Subscription Shares in accordance with paragraph 2 above (excluding any Ordinary Shares to which Subscription Share Rights attached to Subscription Shares purchased by the Company or any of its subsidiaries relate but including any further Subscription Shares issued in accordance with the Articles)), the Company shall be entitled at any time within the next following 14 days to serve notice in writing on the holders of the Subscription Shares then outstanding of its intention to appoint a trustee for the purposes set out in this paragraph 8(e) (the “**Early Subscription Trustee**”) upon the expiry of the period beginning on the date of such notice and expiring at 3.00 p.m. on the twenty-first day from such date (the “**Notice Period**”). Such notice shall set out the Final Subscription Date and will include all necessary details and instructions to enable the exercise of the Subscription Share Rights. Forthwith after the expiry of the Notice Period, the Company shall appoint the Early Subscription Trustee who, provided that in such trustee’s opinion the net proceeds of sale after deduction of all costs and expenses incurred by, and any fee payable to, such trustee will exceed the costs of exercising the Subscription Share Rights, shall within the period of 14 days following the expiry of the Notice Period either:
 - (i) exercise all (or such proportion as it may in its absolute discretion determine) of the Subscription Share Rights which shall not have been exercised on the terms on which the same could have been exercised immediately prior to the expiry of the Notice Period and had been exercised (having taken into account any adjustments previously made pursuant to paragraph 2 above) and sell in the market the Ordinary Shares resulting from such exercise; or
 - (ii) if it appears to the Early Subscription Trustee that doing so is likely to realise greater net proceeds for Subscription Shareholders, accept any offer available to Subscription Shareholders for the purchase of:

- (a) the outstanding Subscription Shares (or such proportion of such Subscription Shares as the Early Subscription Trustee may in its absolute discretion determine); and/or
- (b) Ordinary Shares resulting from the exercise of the Subscription Share Rights in respect of the outstanding Subscription Shares (or such proportion of such Ordinary Shares as the Early Subscription Trustee may in its absolute discretion determine).

The Early Subscription Trustee shall distribute pro rata the net proceeds of any such sale or acceptance of any such offer less, in either case, such costs of exercising the Subscription Share Rights and such other fees, costs and expenses to the persons entitled thereto (being, regardless of whether the Early Subscription Trustee has exercised all or only a proportion of the unexercised Subscription Share Rights or has accepted any offer for purchase of all or only a proportion of the outstanding Subscription Shares, all holders of the Subscription Shares outstanding immediately prior to such exercise or acceptance) at the risk of such persons as soon as practicable after such sale and in any event within 28 days after the expiry of the Notice Period, provided that entitlements of under £5 shall be retained for the benefit of the Company. Following the expiry of the Notice Period, if the Early Subscription Trustee shall not exercise the Subscription Share Rights then outstanding within the period of 14 days following such expiry as set out in this paragraph 8(e) (and such trustee's decision in respect thereof shall be final and binding on all holders of outstanding Subscription Shares), all Subscription Share Rights shall lapse on the expiry of such period of 14 days. Where the Early Subscription Trustee exercises some but not all of such Subscription Share Rights or sells some but not all of such Subscription Shares in accordance with this paragraph, any Subscription Share Rights which are not so exercised and all Subscription Share Rights attaching to Subscription Shares not sold shall lapse.

- (f) Within seven days following the Final Subscription Date the Company shall appoint a trustee (the "**Final Subscription Trustee**") who, provided that in such trustee's opinion the net proceeds of sale after deduction of all costs and expenses incurred by, and any fee payable to, such trustee will exceed the costs of exercising the Subscription Share Rights, shall within the period of 14 days following the Final Subscription Date, either:
 - (i) exercise all (or such proportion as it may in its absolute discretion determine) of the Subscription Share Rights which shall not have been exercised on the terms on which the same could have been exercised on the Final Subscription Date (having taken into account any adjustments previously made pursuant to paragraph 2 above) and sell in the market the Ordinary Shares resulting from such exercise; or
 - (ii) if it appears to the Final Subscription Trustee that doing so is likely to realise greater net proceeds for Subscription Shareholders, accept any offer available to Subscription Shareholders for the purchase of:
 - (a) the outstanding Subscription Shares (or such proportion of such Subscription Shares as the Final Subscription Trustee may in its absolute discretion determine); and/or
 - (b) Ordinary Shares resulting from the exercise of the Subscription Share Rights in respect of the outstanding Subscription Shares (or such proportion of such Ordinary Shares as the Final Subscription Trustee may in its absolute discretion determine).

The Final Subscription Trustee shall distribute pro rata the net proceeds of any such sale or acceptance of any such offer less, in either case, such costs of exercising the Subscription Share Rights and such other fees, costs and expenses to the persons entitled thereto (being, regardless of whether the Final Subscription Trustee has exercised all or only a proportion of the unexercised Subscription Share Rights or has accepted any offer for purchase of all or only a proportion of the outstanding Subscription Shares, all holders of the Subscription Shares outstanding immediately prior to such exercise or acceptance) at the risk of such persons within 56 days of the Final Subscription Date, provided that entitlements of under £5 shall be retained for the benefit of the Company. If the Final Subscription Trustee shall not exercise the Subscription Share Rights within the period of 14 days following the Final Subscription Date as set out in this paragraph 8(f) (and such trustee's decision in respect thereof shall be final and binding on all holders of outstanding Subscription Shares), all Subscription Share Rights shall lapse. Where the

Final Subscription Trustee exercises some but not all of such Subscription Share Rights or sells some but not all of such Subscription Shares in accordance with this paragraph, any Subscription Share Rights which are not so exercised and all Subscription Share Rights attaching to Subscription Shares not sold shall lapse.

- (g) The exercise of the Subscription Share Rights shall be effected in accordance with this paragraph 8(g) or in such other manner as may be authorised by law. For the purposes of this paragraph 8(g) the “**Relevant Shares**” shall mean those Subscription Shares in respect of which Subscription Share Rights are exercised.
- (i) To enable such subscription to be effected, the Directors may determine to redeem at par the Relevant Shares on any Subscription Date out of profits of the Company which would otherwise be available for distribution. For the purposes of this paragraph 8, in the event that the Directors determine to redeem the same at par out of such profits, a Relevant Share shall confer upon the holder thereof the right to subscribe for and such holder shall be deemed to have appointed the secretary of the Company (or any other person appointed for the purpose by the Directors) to subscribe as agent on such holder’s behalf for, one ordinary share at such price as shall represent the aggregate of:

- (a) the Subscription Price; and
- (b) the amount of the redemption monies to which the holder is entitled,

and in any such case, the Subscription Notice given by such holder shall be deemed irrevocably to authorise and instruct such agent to apply the redemption moneys payable to such holder in subscribing for such Ordinary Shares at such price.

- (ii) To enable such subscription to be effected, the Directors may determine to redeem at par the Relevant Shares on any Subscription Date out of the proceeds of a fresh issue of Ordinary Shares. In the event that the Directors determine to redeem the same at par out of such proceeds, a Relevant Share shall confer upon the holder thereof the right to subscribe for, and such holder shall be deemed to have authorised the Secretary of the Company (or any other person appointed for the purpose by the Directors) to subscribe as agent on such holder’s behalf for, one Ordinary Share at such price as shall represent the aggregate of:

- (a) the Subscription Price; and
- (b) the amount of the redemption monies to which the holder is entitled,

and in any such case, the Subscription Notice given by such holder shall be deemed irrevocably to authorise and instruct such agent to apply the redemption moneys payable to such holder in subscribing for such Ordinary Shares at such price.

- (iii) To enable such subscription to be effected, the Directors may determine to effect such subscription by means of a consolidation and sub-division of the Relevant Shares. In such case the requisite consolidation and sub-division shall be effected pursuant to the authority given by the resolution adopting the New Articles by consolidating into one share all the Relevant Shares held by any holder or joint holders and in respect of which a Subscription Notice shall have been given in respect of the relevant Subscription Date (treating holdings of the same holders or joint holders in certificated form and uncertificated form as separate holdings, unless the Directors otherwise determine) and, if the Directors so determine, any shares allotted to such holder or joint holder pursuant to paragraph 8(g)(v) and converting (and, if necessary, sub-dividing) such consolidated share into Ordinary Shares of 25 pence each (or such other nominal amount as may be appropriate as a result of any consolidation or sub-division of Ordinary Shares) of which one share for every complete 25 pence (or such other nominal amount as may be appropriate as a result of any consolidation or sub-division of Ordinary Shares) of the nominal amount of the consolidated share shall be Ordinary Shares (fractional entitlements to an Ordinary Share being disregarded) and the balance (if any) of such consolidated share shall be deferred shares which shall carry the limited rights

set out in the Articles but in particular will be capable of being redeemed by the Company without further authorisation.

- (iv) In relation to any Relevant Shares that are to be redeemed in accordance with paragraph 8(g)(i) or 8(g)(ii) and that are, on the Subscription Date concerned, in uncertificated form, the Directors shall be entitled in their absolute discretion to determine the procedures for the redemption of such Relevant Shares (subject always to the regulations and the facilities, rules and requirements of the Relevant Electronic System). Without prejudice to the generality of the foregoing, the procedures for the redemption of any such Relevant Shares may involve or include the sending by the Company or by any person on its behalf of an issuer instruction to the operator of the Relevant Electronic System requesting or requiring the deletion of any computer based entries in the relevant system concerned that relate to the holding of the Relevant Shares concerned, and/or the Company may, if the Directors so determine (by notice in writing to the holder concerned), require the holder of the Relevant Shares concerned to change the form of the Relevant Shares from uncertificated form to certificated form prior to the Subscription Date concerned (and in each case the Directors shall determine the procedure for such redemption).
- (v) To enable any subscription to be effected in accordance with paragraph 8(g)(i) or 8(g)(ii) above or the issue of any additional Subscription Shares pursuant to paragraph 2(e) above, the resolution adopting the New Articles will authorise the Directors to capitalise any part of the amount then standing to the credit of any of the Company's reserve accounts (whether or not the same would lawfully be distributable by way of cash dividend) or to the credit of the share premium account, capital redemption reserve, special reserve, revenue reserve or otherwise available for the purpose and the same shall be applied in paying up in full at par shares to be allotted and issued, credited as fully paid, to and amongst the holders of the Subscription Shares exercising their Subscription Share Rights in accordance with their respective entitlements or otherwise to the holders of Subscription Shares in accordance with paragraph 2(e). The restrictions and limitations in the New Articles relating to capitalisation issues generally shall not apply to any capitalisation or creation or issue of shares pursuant to paragraph 8(i) or paragraph 2(e) which shall instead be effected pursuant to the authority given by the resolution adopting the New Articles.
- (vi) For the avoidance of doubt the Subscription Share Rights attached to a Subscription Share shall be capable of being exercised on one occasion only and with effect from the exercise of the Subscription Share Right attached to such Subscription Share the Directors shall be entitled to redesignate such Subscription Share as a deferred share which shall carry the limited rights set out in the Articles but in particular will be capable of being redeemed or transferred by the Company without further authorisation.
- (vii) Where the Subscription Share Rights attaching to any Subscription Shares lapse in accordance with the provisions of the New Articles, such Subscription Shares will be reclassified as deferred shares ("**Deferred Shares**"), having the limited rights set out in the New Articles.
- (h) The Early Subscription Trustee or the Final Subscription Trustee (as appropriate) shall have no liability of any nature whatsoever where such trustee has acted honestly and reasonably and shall have no responsibility for the safe custody of, or to earn any interest on, any unpaid or unclaimed money.
- (i) Any references in the rights attaching to Subscription Shares to a statutory provision shall include that provision as from time to time modified or re-enacted.
- (j) The Deferred Shares arising as a result of a conversion by means of consolidation and sub-division or otherwise on the lapse of Subscription Share Rights, shall:
 - (i) on a return of assets in a winding up entitle the holder only to the repayment of the amounts paid up on such shares after repayment of the capital paid up on the Ordinary Shares, the capital paid up on the Subscription Shares plus the payment of £1,000 on each Ordinary Share;

(ii) entitle the holder to a dividend at a fixed rate of 0.001 per cent. of the total nominal amount thereof payable on the date following six months after the date on which they arise, to the holders of Deferred Shares on the register at that date, but shall confer no other right to share in the profits of the Company, and

(iii) not entitle the holder to receive of or to attend or vote at any general meeting of the Company,

and such conversion or reclassification shall be deemed to confer irrevocable authority on the Company at any time thereafter to appoint any person to execute on behalf of the holders of such shares a transfer thereof and/or an agreement to transfer the same, without making any payment to the holders thereof, to such person as the Company may determine as custodian thereof and to cancel and/or purchase the same (in accordance with the provisions of the 2006 Act) without making any payment to or obtaining the sanction of the holder thereof and pending such transfer and/or cancellation and/or purchase to retain the certificate for such Deferred Shares.

(k) The Company may at its option at any time after the creation of any Deferred Shares redeem all or any of the Deferred Shares then in issue, at a price not exceeding 1 pence for all the Deferred Shares then in issue, at any time upon giving the registered holder(s) of such share(s) not less than 14 days' previous notice in writing of its intention to do so, fixing a time and place for their redemption.

(l) If and whenever the Company shall determine to redeem pursuant to paragraphs (j) and (k) above less than the total of the Deferred Shares then outstanding, those to be redeemed shall be selected by the drawing of lots. At the time and place so fixed, each such registered holder shall be bound to surrender to the Company the certificate for their Deferred Shares or Ordinary Shares which are to be redeemed in order than such shares may be cancelled.

PART V
GENERAL INFORMATION

1. Responsibility

The Company, whose registered office appears at paragraph 2(a)(viii) of this Part V, and the Directors, whose names and functions appear on page 42 of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

2. The Company, the Manager and Key Service Providers

(a) Incorporation

- (i) The Company was incorporated in England and Wales on 7 January 1994. The Company is registered as an investment company under section 833 of the 2006 Act with registered number 2885584. The Company has no subsidiaries.
- (ii) The Company changed its name from SaveMargin public limited company to Fidelity Japanese Values PLC on 10 February 1994.
- (iii) The Articles contain provisions requiring the Directors to put a proposal for continuation of the Company to the Shareholders at the Company's AGM in 2013 and thereafter at three yearly intervals.
- (iv) The Company has at all times conducted its affairs so as to enable it to qualify as an investment trust for the purposes of Chapter 4 of Part 24 of the Tax Act.
- (v) As an investment trust the Company is not regulated as a collective investment scheme by the Financial Conduct Authority. However, as a company listed on the Official List, it is subject to the Listing Rules.
- (vi) The Company's Ordinary Shares are listed on the Official List and admitted to trading on the premium segment of the London Stock Exchange's main market for listed securities. The ISIN of the Ordinary Shares is GB0003328555.
- (vii) The principal legislation under which the Company operates is the 2006 Act and regulations promulgated thereunder. The Company is domiciled in England and Wales.
- (viii) The registered office of the Company is FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

(b) Principal Activities of the Company

The principal object of the Company is to carry on business as an investment trust company.

(c) The Manager

The Manager is a private unlimited company, incorporated in England and Wales on 13 September 1979 under company number 1448245. The Manager is authorised and regulated by the Financial Conduct Authority. The principal legislation under which the Manager operates is the FSMA. The address of the registered office of the Manager is Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ.

(d) *The AIFM*

With effect from 22 July 2014, the AIFM of the Company is FISL, a private limited company incorporated in England and Wales on 2 May 1986 under company number 02016555. The AIFM is authorised and regulated by the Financial Conduct Authority. The principal legislation under which the AIFM operates is the FSMA. The address of the registered office of FISL is Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ.

(e) *The Depositary*

With effect from 22 July 2014, the depositary of the Company is J.P. Morgan Europe Limited, a private limited company incorporated in England and Wales on 18 September 1986 under company number 0938937. The Depositary is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority. The registered office of J.P. Morgan Europe Limited is 25 Bank Street, Canary Wharf, London E14 5JP.

(f) *The Custodian*

The Custodian is JPMorgan Chase Bank, NA, London Branch, with its place of business at 25 Bank Street, Canary Wharf, London E14 5JP. The Custodian is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority.

(g) *The Registrar*

The Company's registrar is Capita Registrars Limited, a private limited company incorporated in England and Wales on 26 April 1991 under company number 02605568. The registered office of the Registrar is The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

3. Share Capital

- (a) The following table shows the issued share capital of the Company as at 31 December 2013 (being the last date in respect of which the Company has published financial information) and as at 18 July 2014 (being the latest practicable date prior to the publication of this Prospectus):

	<i>31 December 2013</i>		<i>18 July 2014</i>	
	<i>Number of Ordinary Shares</i>	<i>Nominal Value</i>	<i>Number of Ordinary Shares</i>	<i>Nominal Value</i>
Issued share capital (fully paid)	113,954,834	28,488,708.50	113,954,834	28,488,708.50

- (b) Save for the proposed Bonus Issue of Subscription Shares described in this Prospectus, no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.
- (c) With effect from Admission, all of the Subscription Shares will be in registered form and, subject to the Subscription Shares being admitted to and accordingly enabled for settlement in CREST, the Subscription Shares will be capable of being held in both certificated and uncertificated form. No temporary documents of title will be issued. All of the Ordinary Shares issued or to be issued by the Company will be in registered form and are capable of being held in certificated and uncertificated form.
- (d) The Company's issued share capital history during the last three financial years and since 31 December 2011 is as follows:
- (i) in the financial year ended 31 December 2011, the Company issued 1,763,455 Ordinary Shares on the exercise of rights attached to subscription shares 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 "2009 Bonus Issue"). As at 31 December 2011, the Company had 97,447,975 Ordinary Shares in issue and 17,244,859 subscription shares in issue pursuant to the 2009 Bonus Issue, none of which were held in treasury;

- (ii) in the financial year ended 31 December 2012, the Company issued 12,710 Ordinary Shares on the exercise of rights attached to the subscription shares issued pursuant to the 2009 Bonus Issue. It also repurchased 638,000 Ordinary Shares for cancellation. As at 31 December 2012, the Company had 96,822,685 Ordinary Shares in issue and 17,232,149 subscription shares in issue pursuant to the 2009 Bonus Issue, none of which were held in treasury;
 - (iii) in the financial year ended 31 December 2013, the Company issued 17,232,149 Ordinary Shares on the exercise of the rights attached to the subscription shares issued pursuant to the 2009 Bonus Issue. It also repurchased 100,000 Ordinary Shares for cancellation. As at 31 December 2013, the Company had 113,954,834 Ordinary Shares in issue, none of which were held in treasury; and
 - (iv) in the period 31 December 2013 to 18 July 2014 (being the latest practicable date prior to publication of this Prospectus), the Company did not issue any new Ordinary Shares nor did it repurchase any Ordinary Shares (into treasury or otherwise). As at 18 July 2014 (being the latest practicable date prior to publication of this Prospectus), the Company had 113,954,834 Ordinary Shares in issue, none of which were held in treasury.
- (e) At the General Meeting, Shareholders will be asked to pass the Resolution, which contains the following operative provisions, some of which will, if the Resolution is passed, affect the Company's share capital:
- (i) to adopt the New Articles to provide for the rights attaching to the Subscription Shares and to incorporate certain changes in respect of the procedures to be followed when paying dividends and of a minor clarificatory nature;
 - (ii) to authorise the Directors to allot shares pursuant to the Bonus Issue (including pursuant to the exercise of the Subscription Share Rights);
 - (iii) to authorise the Directors to allot shares in connection with the Bonus Issue without regard to statutory bonus rights;
 - (iv) to authorise the Directors to capitalise any amount standing to the credit of any of the share premium account, the capital redemption reserve, special reserve and any other applicable reserve otherwise available in order to pay up to 22,790,966 Subscription Shares to be issued pursuant to the Bonus Issue and any Ordinary Shares to be issued upon the exercise of the Subscription Share Rights or any additional Subscription Shares required to be issued in accordance with the rights attaching to the Subscription Shares;
 - (v) to authorise the Directors to consolidate, sub-divide or redeem share capital to give effect to the rights of the holders of Subscription Shares; and
 - (vi) to authorise the Company to make market purchases of the Subscription Shares up to 14.99 per cent. of the issued subscription share capital.
- (f) The Subscription Shares will have the rights described in Part IV of this Prospectus. The Subscription Shares will be denominated in Sterling.

4. Current Memorandum and Articles

The Articles contain, amongst other things, material provisions as summarised in paragraph 4.1 below. If the Resolution is passed at the General Meeting, the New Articles will be adopted to incorporate the rights attaching to the Subscription Shares (as summarised in Part IV of this Prospectus) and certain changes to the procedures to be followed when paying dividends (as summarised in the Appendix to the Notice of General Meeting set out on page 96 of this Prospectus) and of a minor clarificatory nature.

(a) *Articles of Association*

Set out below is a summary of the provisions of the current Articles. If the Resolution is passed at the General Meeting the New Articles, which contain the rights attaching to the Subscription Shares, the changes to the dividend payment procedure and of a minor clarificatory nature, will be adopted. The rights attaching to the Subscription Shares are set out in Part IV of this Prospectus. In all other respects the New Articles will remain unchanged.

(i) *Share capital*

The Company's share capital currently consists of Ordinary Shares. Article 6 of the current Articles refers to the historic rights of the previous subscription shares of 5 pence each, none of which are in issue. The article therefore has no effect and will be replaced by the New Articles reflecting the rights of the Subscription Shares.

Subject to any resolution passed by the Company, the Board has the authority to offer, allot, grant options over or otherwise deal with or dispose of shares in the Company to such persons, at such times and for such consideration and upon such terms, as the Board may decide.

Such shares may be issued with or have attached to them such rights and restrictions as the Company may by ordinary resolution decide, or if no such resolution has been passed, as the Board may decide.

(ii) *Voting Rights*

The Shareholders have the right to receive notice of, and to vote at, general meetings of the Company. Each Shareholder who is present in person (or, being a corporation, by representative) at a general meeting on a show of hands has one vote and, on a poll, every such holder who is present in person (or, being a corporation, by representative) or by proxy has one vote in respect of every share held by him.

(iii) *Dividends*

The Company may, subject to the provisions of the 2006 Act and the Articles, by ordinary resolution from time to time declare dividends to be paid to members not exceeding the amount recommended by the Board. Subject to the provisions of the 2006 Act in so far as, in the Board's opinion, the Company's profits justify such payments, the Board may pay interim dividends on any class of shares including those carrying a fixed dividend. Any dividend, unclaimed after a period of 12 years from the date such dividend was declared or became payable shall, if the Board resolves, be forfeited and revert to the Company.

(iv) *Transfer of Ordinary Shares*

(a) Each member may transfer all or any of his uncertificated shares by means of a relevant system in such manner provided for, and subject as provided in the uncertificated securities rules. Each member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve.

(b) The Board may decline to register any transfer:

- (1) in the case of a share which is not a fully paid share, at any time;
- (2) in the case of an uncertificated share, in such circumstances set out in the uncertificated securities rules and where, in the case of a transfer of joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four;
- (3) in the case of a certificated share, at any time unless:
 - (1) the instrument of transfer is duly stamped or duly certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty and is left at the office or such other place as the Board may from time to time

determine accompanied by the certificate for the share to which it relates (and such other evidence as the Board may reasonably require);

- (2) the instrument of transfer is in respect of only one class of share; and
- (3) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

(v) *Variation of rights and alteration of capital*

All or any of the rights for the time being attached to any share or class of shares (and notwithstanding that the Company may or may be about to be in liquidation) may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than 75 per cent. in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares to which the provisions of the Articles relating to general meetings shall apply, but so that the quorum thereat shall be two persons holding or representing by proxy at least one third in nominal value of the issued shares of the class in question.

(vi) *Alteration of share capital*

The Company may from time to time by ordinary resolution, increase its share capital, consolidate or consolidate and then subdivide all or any of its share capital, and cancel any shares which have not been taken or agreed to be taken.

(vii) *Purchase of own Shares*

Subject to the provisions of the 2006 Act and to any rights for the time being attached to any Ordinary Shares, the Company may purchase any of its own shares of any class (including any redeemable shares). Any shares to be so purchased may be selected in any manner whatsoever.

(viii) *Directors*

- (a) Unless otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate Directors) shall not be less than two, but there shall be no maximum number of Directors.
- (b) The Directors shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine provided that the amount paid to each Director by way of fees shall not exceed £50,000 in any financial year, or such greater sum as may be determined from time to time by ordinary resolution of the Company. The Directors shall also be entitled to be repaid all reasonable travelling, hotel and other incidental expenses properly incurred by them in or about the performance of their duties as Directors, including expenses incurred in attending meetings. If, by arrangement with the Board, any Director shall perform or render any special duties or services outside his ordinary duties as a Director, he may be paid such reasonable additional remuneration as the Board may determine.

Where a Director performs a service which, in the opinion of the Board (or any committee authorised by the Board), goes beyond the ordinary duties of a director, such Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise), as the Board (or any committee authorised by the Board), may in its absolute discretion shall determine).

- (c) At every AGM any Director who:
 - (1) has been appointed by the Board since the last AGM; or
 - (2) held at the time of the two preceding AGMs and who did not retire at either of them; or

- (3) has held office with the Company, other than employment of executive office, for a continuous period of nine years or more at the date of the meeting,
shall retire from the office and may offer himself for re-appointment by the members.
- (d) The Board may, subject to the quorum and voting requirements set out in the Articles, authorise any matter which would otherwise involve a Director breaching his duty under the Companies Act 2006 to avoid conflicts of interest (“**Conflict**”).
- (e) A Director seeking authorisation in respect of a Conflict shall declare to the Board the nature and extent of his interest in a Conflict as soon as is reasonably practicable. The Director shall provide the Board with such details of the relevant matter as are necessary for the Board to decide how to address the Conflict together with such additional information as may be requested by the Board.
- (f) Any Director (including the relevant Director) may propose that the relevant Director be authorised in relation to any matter the subject of a Conflict. Such proposal and any authority given by the Board shall be effected in the same way that any other matter may be proposed to and resolved upon by the Board under the provisions of the Articles save that:
- (1) the relevant Director and any other Director with a similar interest shall not count towards the quorum, nor vote on any resolution giving such authority; and
 - (2) the relevant Director and any other Director with a similar interest may, if the other members of the Board so decide, be excluded from any Board meeting while the Conflict is under consideration.
- (g) Where the Board gives authority in relation to a Conflict:
- (1) the Board may (whether at the time of giving the authority or subsequently)
 - (a) require that the relevant Director is excluded from the receipt of information, the participation in discussion and/or the making of decisions (whether at meetings of the Board or otherwise) related to the Conflict; and
 - (b) impose upon the relevant Director such other terms for the purpose of dealing with the Conflict as it may determine;
 - (2) the relevant Director will be obliged to conduct himself in accordance with any terms imposed by the Board in relation to the Conflict;
 - (3) the Board may provide that where the relevant Director obtains (otherwise than through his position as a Director of the Company) information that is confidential to a third party, the Director will not be obliged to disclose that information to the Company, or to use or apply the information in relation to the Company’s affairs, where to do so would amount to a breach of that confidence;
 - (4) the terms of the authority shall be recorded in writing (but the authority shall be effective whether or not the terms are so recorded); and
 - (5) the Board may revoke or vary such authority at any time but this will not affect anything done by the relevant Director prior to such revocation in accordance with the terms of such authority.
- (h) If a Director is in any way directly or indirectly interested in a proposed contract with the Company or a contract that has been entered into by the Company, the Director must declare the nature and extent of that interest to the Directors in accordance with the 2006 Act.
- (i) Provided he has declared his interest in accordance with paragraph (h) above, a Director may:
- (1) be party to, or otherwise interested in, any contract with the Company or in which the Company has a direct or indirect interest;

- (2) hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director for such period and upon such terms, including as to remuneration, as the Board may decide;
 - (3) act by himself or through a firm with which he is associated in a professional capacity for the Company or any other Company in which the Company may be interested (otherwise than as auditor);
 - (4) be or become a director or other officer of, or employed by or otherwise interested in any holding company or subsidiary company of the Company or any other company in which the Company may be interested; and
 - (5) be or become a director of any other company in which the Company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as a director of that other Company.
- (j) A Director shall not, by reason of his office or of the fiduciary relationship thereby established, be liable to account to the Company for any remuneration, profit or other benefit realised by reason of his having any type of interest authorised or permitted under the Articles and no contract shall be liable to be avoided on the grounds of a Director having any type of interest authorised under or permitted under the Articles.
- (ix) *Borrowing powers*
- (a) The Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures and other securities and to give security, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
 - (b) The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (but as regards subsidiary undertakings only in so far as by the exercise of the rights or powers of control the board can secure) that, save with the previous sanction of an ordinary resolution, no money shall be borrowed if the aggregate principal amount outstanding of all borrowings by the group (exclusive of borrowings owing by one member of the group to another member of the group) then exceeds, or would as a result of such borrowing, exceed an amount equal to twice the adjusted capital and reserves.

(x) *General meetings*

(a) Notice

The Company must convene and hold AGMs in accordance with the 2006 Act.

The Board has the power to set the time and place of the AGM and to convene a general meeting whenever it thinks fit. A general meeting shall also be convened on such requisition, or in default may be convened by such requisitionists, as provided by sections 303 to 305 (inclusive) of the 2006 Act. At any meeting convened on such requisition or by such requisitionists no business shall be transacted except that stated by the requisition or proposed by the Board. If there are not within the United Kingdom sufficient members of the Board to convene a general meeting, any Director or any member of the Company may call a General Meeting.

An AGM and a general meeting convened for the passing of a special resolution shall be convened by not less than 21 clear days' notice in writing. All other general meetings shall be convened by not less than 14 clear days' notice in writing. Notwithstanding that a general meeting is called on shorter notice, it shall be deemed duly convened:

- (i) in the case of an AGM, by all the members entitled to attend and vote at the meeting; and

- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

(b) Quorum

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the choice or appointment of a chairman of the meeting which shall not be treated as part of the business of the meeting. Save as otherwise provided by these articles, two members present in person or by proxy and entitled to vote shall be a quorum for all purposes.

(xi) *Reserves*

The Company may, upon the recommendation of the board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount standing to the credit of any reserve or fund (including retained earnings) at the relevant time whether or not the same is available for distribution and accordingly that the amount to be capitalised be set free for distribution among the members or any class of members who would be entitled to it if it were distributed by way of dividend and in the same proportions, on the footing that it is applied either in or towards paying up the amounts unpaid at the relevant time on any shares in the Company held by those members respectively or in paying up in full shares that are to be allotted and distributed credited as fully paid up among those members, or partly in one way and partly in the other, but so that, for the purposes of this article (i) a share premium account and a capital redemption reserve, and any reserve or fund representing unrealised profits, may be applied only in paying up in full shares of the company that are to be allotted and distributed as fully paid up, and (ii) where the amount capitalised is applied in paying up in full unissued shares, the Company will also be entitled to participate in the relevant distribution in relation to any shares of the relevant class held by it as treasury shares and the proportionate entitlement of the relevant class of members to the distribution will be calculated accordingly. The Board may authorise any person to enter into an agreement with the Company on behalf of the persons entitled to participate in the distribution and the agreement shall be binding on those persons.

(xii) *Distribution of realised capital profits*

- (a) The Board shall establish a reserve to be called the "capital reserve" and shall either carry to the credit of such reserve from time to time, or apply in providing for depreciation or contingencies, all surpluses arising on the realisation of investments. Any losses arising on the realisation of the investments shall be carried to the debit of the capital reserve except in so far as the board may in its discretion decide to make good the same out of other funds of the Company.
- (b) The Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one and partly the other. The Board may determine whether any cost, liability or expense (including any costs incurred or sums expended in connection with the management of the assets of the company or any interest charge) is to be treated as a cost, liability or expense chargeable to capital or to revenue or partly one and partly the other, having regard, inter alia, to the investment objectives of the Company, and to the extent the board determines that any such cost, liability or expense should reasonably and fairly be apportioned to capital, the board may debit or charge the same to the capital reserve.
- (c) All sums carried and standing to the capital reserve may be applied for any of the purposes to which sums standing to any reserve of the Company are applicable.
- (d) For the avoidance of doubt, any surplus or reserve arising on a reduction of capital or share premium account of the Company shall, subject to the provisions of the 2006 Act and the rights attached to the Subscription Shares (if any), be profits of the Company available for distribution.

(xiii) *Uncertificated Shares*

- (a) Pursuant and subject to the Uncertificated Securities Regulations, the Board may permit title to shares of any class to be evidenced otherwise than by a certificate and title to shares of such a class to be transferred by means of a relevant system and may make arrangements for a class of shares (if all shares of that class are in all respects identical) to become a participating class. Title to shares of a particular class may only be evidenced otherwise than by a certificate where that class of shares is at the relevant time a participating class. The Board may also, subject to compliance with the Uncertificated Securities Regulations, determine at any time that title to any class of shares may from a date specified by the Board no longer be evidenced otherwise than by a certificate or that title to such a class shall cease to be transferred by means of any particular relevant system.
- (b) In relation to a class of shares which is a participating class and for so long as it remains a participating class, no provision of these Articles shall apply or have effect to the extent that it is inconsistent in any respect with:
 - (i) the holding of shares of that class in uncertificated form;
 - (ii) the transfer of title to shares of that class by means of a relevant system; and
 - (iii) any provision of the Uncertificated Securities Regulations,

and, without prejudice to the generality of this Article, no provision of these Articles shall apply or have effect to the extent that it is in any respect inconsistent with the maintenance, keeping or entering up by the operator, so long as that is permitted or required by the Uncertificated Securities Regulations of an operator register of securities in respect of that class of Shares in uncertificated form.

- (c) Shares of a class which is, at the relevant time, a participating class may be changed from uncertificated to certificated form, and from certificated to uncertificated form, in accordance with and subject as provided in the Uncertificated Securities Regulations.
- (d) If, under these Articles or the 2006 Act, the Company is entitled to sell, transfer or otherwise dispose of, forfeit, re-allot, accept the surrender of or otherwise enforce a lien over an uncertificated share, then, subject to these Articles and the 2006 Act, such entitlement shall include the right of the Board to:
 - (i) require the holder of that uncertificated share by notice in writing to change that share from uncertificated to certificated form within such period as may be specified in the notice and keep it as a certificated share for as long as the Board requires;
 - (ii) appoint any person to take such other steps, by instruction given by means of a relevant system or otherwise, in the name of the holder of such share as may be required to effect the transfer of such share and such steps shall be as effective as if they had been taken by the registered holder of that share; and
 - (iii) take such other action that the Board considers appropriate to achieve the sale, transfer, disposal, forfeiture, re-allotment or surrender of that share or otherwise to enforce a lien in respect of that share.
- (e) Unless the Board otherwise determines, Shares which a member holds in uncertificated form shall be treated as separate holdings from any Shares which that member holds in certificated form. However Shares held in uncertificated form shall not be treated as forming a class which is separate from certificated Shares with the same rights.
- (f) Unless the Board otherwise determines or the Uncertificated Securities Regulations otherwise require, any Shares issued or created out of or in respect of any uncertificated Shares shall be uncertificated Shares and any Shares issued or created out of or in respect of any certificated Shares shall be certificated Shares.

- (g) The Company shall be entitled to assume that the entries on any record of securities maintained by it in accordance with the Uncertificated Securities Regulations and regularly reconciled with the relevant Operator register of securities are a complete and accurate reproduction of the particulars entered in the Operator register of securities and shall accordingly not be liable in respect of any act or thing done or omitted to be done by or on behalf of the Company in reliance on such assumption; in particular, any provision of these Articles which requires or envisages that action will be taken in reliance on information contained in the register shall be construed to permit that action to be taken in reliance on information contained in any relevant record of securities (as so maintained and reconciled).

(xiv) *Untraced Shareholders*

- (a) The Company may sell any certificated Shares in the Company on behalf of the holder of, or person entitled by transmission to, the Shares at the best price reasonably obtainable at the time of the sale if:
 - (i) the Shares have been in issue either in certificated or uncertificated form throughout the qualifying period and at least three cash dividends have become payable on the Shares during the qualifying period;
 - (ii) no cash dividend payable on the Shares has either been claimed by presentation to the paying bank of the relevant cheque or warrant or been satisfied by the transfer of funds to a bank account designated by the holder of, or person entitled by transmission to, the Shares or by the transfer of funds by means of a relevant system at any time during the relevant period;
 - (iii) so far as any Director of the Company at the end of the relevant period is then aware, the Company has not at any time during the relevant period received any communication from the holder of, or person entitled by transmission to, the Shares; and
 - (iv) the Company has caused two advertisements to be published, one in a newspaper with a national circulation and the other in a newspaper circulating in the area in which the last known postal address of the holder of, or person entitled by transmission to, the Shares or the postal address at which service of notices may be effected under these articles is located, giving notice of its intention to sell the Shares and a period of three months has elapsed from the date of publication of the advertisements or of the last of the two advertisements to be published if they are published on different dates.
- (b) The Company shall also be entitled to sell at the best price reasonably obtainable at the time of sale any additional certificated shares in the Company issued either in certificated or uncertificated form during the qualifying period in right of any share to which paragraph 4.1(a)(xiv) applies (or in right of any share so issued), if the criteria in paragraph 4.1(a)(xiv)(a)(ii) to (iv) are satisfied in relation to the additional shares.

(xv) *Duration of Company*

At the AGM falling in the calendar year 2016 and, if the Company has not been liquidated, unitised or reconstructed, at each third AGM of the Company convened by the Board thereafter, the Board shall propose an ordinary resolution that the Company should continue as an investment trust. If any such ordinary resolution is not passed, the Board shall draw up proposals for the voluntary liquidation, unitisation or other reorganisation of the Company for submission to the members of the Company at an extraordinary general meeting to be convened by the Board for a date not more than three months after the date of the meeting at which such ordinary resolution was not passed. The Board shall ensure that such proposals for the liquidation, unitisation or reconstruction of the Company as are approved by special resolution are implemented as soon as is reasonably practicable after the passing of such resolution.

5. Mandatory Bids, Squeeze-Out and Sell-Out Rules Relating to the Ordinary Shares

(a) *Mandatory Bid*

The City Code on Takeovers and Mergers (the “**City Code**”) applies to the Company. Under Rule 9 of the City Code, if:

- (i) a person acquires an interest in shares in the Company which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- (ii) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested,

the acquiror and, depending on the circumstances, his concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquiror or his concert parties during the previous 12 months.

(b) *Compulsory Acquisition*

Under sections 974 – 991 of the 2006 Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates, it may then compulsorily acquire the outstanding shares not assented to the offer. It would do so by sending a notice to outstanding holders of shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding holders of shares. The consideration offered to the holders whose shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to section 983 of the 2006 Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

The offeror would be required to give any holder of shares notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises his/her rights, the offeror is bound to acquire those shares on the terms of the takeover offer or on such other terms as may be agreed.

6. Valuation

The NAV per Ordinary Share is calculated each Business Day by the Manager. For the purposes of calculating the NAV per Ordinary Share, the Company’s listed investments are valued at bid prices. Where trading in the securities of an investee company is suspended, the investment is valued at the Board’s estimate of its net realisable value. Where premiums are payable by foreign investors, the market value, for the purpose of the financial statements, includes the premium.

The Company does not currently have any unlisted investments, however, any unlisted investments would be valued by the Board. In making its valuations in relation to unlisted investments, the Board would take into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values and other relevant factors. The Board is able to delegate the valuation of any unlisted investments to the members of the fair value committee or their delegate.

The fair value committee comprises representatives from Investment Management, Investment Administration, Head Traders and Corporate and Oversight and receives guidance and briefings from Chief Investment Officers and Specialist Experts as selected from time to time. The fair value committee regulates the fair value policies, including (but not limited to) determining a value of a single

security due to a price being unavailable as a result of a corporate action, being unlisted or suspended and determining valuations for markets as a whole due to the prices being unreliable or out of date as at the valuation point of the funds.

The calculation of the NAV per Ordinary Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

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).

7. Borrowing

Subject to the 2006 Act, the Articles and to any directions given to the Company in a general meeting, the Directors shall manage the Company's business and can use all the Company's powers. In particular, the Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property (present and future) and uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

As noted at paragraph 4(A)(ix) above, the Directors shall restrict the borrowings of the Company and exercise all voting and other rights, powers of control or rights of influence exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all moneys borrowed by the Company and any such subsidiary undertakings and for the time being owing to persons outside the Company and any such subsidiary undertakings shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to twice the adjusted capital and reserves (as defined in the Articles).

The Company gears through the use of long CFDs, which the Board and the Manager believe provide more flexibility at a lower cost than traditional borrowing. It also has a 1,400,000,000 Yen overdraft facility with JPMorgan Chase Bank, NA available for working capital requirements if needed from time to time.

8. Interests of Directors, Major Shareholders and Related Party Transactions

(a) Directors' Interests

As at 18 July 2014 (being the latest practicable date before the publication of this Prospectus), the Directors had a beneficial interest in the following number of Ordinary Shares and will, if the Bonus Issue is approved, have a beneficial interest in the following number of Subscription Shares:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>% of issued ordinary share capital</i>	<i>Number of Subscription Shares to be issued under the Bonus Issue</i>	<i>% of subscription share capital</i>
David Robins	10,000	0.009%	2,000	0.009%
Sir Laurence Magnus	40,000	0.035%	8,000	0.035%
Simon Fraser	18,000	0.016%	3,600	0.016%
Philip Kay	12,183	0.011%	2,436	0.011%
David Miller, OBE	20,000	0.018%	4,000	0.018%

None of the connected persons of the Directors hold a beneficial interest in any Ordinary Shares.

Save as disclosed above, immediately following Admission no Director will have any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company.

(b) ***Directors' Contracts with the Company***

- (i) None of the Directors provides his services to the Company pursuant to a service contract with the Company; their appointments are subject to the terms of their letters of appointment.

David Robins is engaged by the Company as a non-executive Director. Mr Robins commenced in that office on 1 February 2011.

Sir Laurence Magnus is engaged by the Company as a non-executive Director. Sir Laurence Magnus commenced in that office on 1 October 2010.

Philip Kay is engaged by the Company as a non-executive Director. Mr Kay commenced in that office on 29 October 2004.

Simon Fraser is engaged by the Company as a non-executive Director. Mr Fraser commenced in that office on 11 May 2000.

David Miller, OBE is engaged by the Company as a non-executive Director. Mr Miller commenced in that office on 29 October 2004.

- (ii) In the financial year ended 31 December 2013, David Robins received a Director's fee of £30,000, Sir Laurence Magnus received a Director's fee of £23,000 and Philip Kay, Simon Fraser and David Miller each received a Director's fee of £20,000. The Directors were not paid any amount of remuneration by way of benefits in kind, pensions contributions or any contingent or deferred compensation by the Company for their services in all capacities to the Company. Accordingly, there are no amounts set aside or accrued by the Company to provide pension, retirement or similar benefits to the Directors.
- (iii) The Company has not made any loans to the Directors which are outstanding, nor has it ever provided any guarantees for the benefit of any Director of the Directors collectively.

(c) ***Other Interests***

Over the five years preceding the date hereof, the Directors have held the following directorships (apart from their directorships of the Company or subsidiaries of the Company) and/or partnerships:

David Robins:

Current directorships: Asian Total Return Investment Company plc, Pemberton Capital Advisers LLP, Oriel Securities Holdings Limited, Oriel Securities Limited, Bending Light Ltd, Serralux Limited and SVG Capital plc.

Past directorships: Meggitt Plc.

Simon Fraser:

Current directorships: Fidelity European Values PLC, 12 Redcliffe Square Management Limited, H Lundén Holdings AB, Merchants Investment Trust PLC, Foreign & Colonial Investment Trust PLC and the Investor Forum.

Past directorships: Barclays Plc, Barclays Bank Plc, International Partners SA, H Lundén Kapitalförvaltning AB and Triptych SA.

Philip Kay:

Current directorships: Akamatsu Bonsai Fund, Akamatsu Fund, PBG Capital Limited, PBG (UK) Limited, The Society for the Promotion of Roman Studies and Counterpoint Asian Macro Fund.

Past directorships: The Workbank Recruitment Consultancy Limited, Workworld Limited and Kuromatsu Fund.

Sir Laurence Magnus:

Current directorships: JPMorgan Income & Capital Trust plc, the Cayenne Trust plc, Pantheon International Participations plc, Micro Power Limited, FIM Services Limited, Magnus Whyte Property Developments Limited and the All Churches Trust.

Past directorships: The National Trust, Climate Exchange plc, Lexicon Group Limited, Landmark Trading Shottesbrook Limited and Eating Disorders Association.

David Miller:

Current directorships: FBG Investment Limited, 1 Inverness Gardens Management Limited, Connect Services Group Limited (in Administration) and Titus International Limited.

Past directorships: Humberts Leisure Limited, The Malden Trust Limited, Base Camp GSP Limited and Base Camp International Limited.

- (d) None of the Directors, members of any administrative, management and supervisory body, nor any senior manager has any potential conflict of interest between any duties to the Company and to his private interest or to any other duties.
- (e) Save as set out in paragraph 8(f) below, in the five year period prior to the date of this Prospectus, none of the Directors:
- (i) had any convictions in relation to fraudulent offences;
 - (ii) was associated with any bankruptcies, receiverships or liquidations of any partnership or company through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior manager of such partnership or company; or
 - (iii) received any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and has not been disqualified by a court from acting as a member of the administration, management of supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.
- (f) David Miller was a non-executive director of Connect Services Group Limited (**CSGL**), an unquoted company incorporated in England and Wales, from April 2006 until its dissolution on 1 November 2012. CSGL was the holding company for a group of companies which provided services in the financial sector relating to the administration of mortgage and insurance agreements, and was responsible for the overheads associated with the group. A decline in income generated by mortgage administration activity led to an effort during 2009/10 to try to improve revenue through increasing claims management work, which proved unsuccessful. In order to provide creditor protection, in February 2011 the directors decided to place CSGL, being the only company within the group with any assets, into administration. CSGL was formally dissolved on 1 November 2012.
- (g) **Major Shareholders**
- (i) As at 18 July 2014 (being the latest practicable date before publication of this Prospectus) insofar as known to the Company, the following parties had declared a notifiable interest in the Company's voting rights (under the Disclosure and Transparency Rules):

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>% of voting rights</i>
FIL Limited	21,646.17	18.99
1607 Capital Partners	14,775.17	12.97
Lazard Asset Management	9,865,551	11.16

- (ii) All Shareholders have the same voting rights in respect of the share capital of the Company.
- (iii) The Company and the Directors are not aware of any person, who directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

(iv) The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

(h) ***Related Party Transactions***

Save for the Management Agreement, the AIFM Agreement, the Depositary Agreement and the Global Custody Agreement (described in paragraph 11 of this Part V), the Company was not a party to, nor had any interest in, any related party transaction at any time during the three financial years to 31 December 2011, 2012 and 2013 or during the period 1 January 2014 to 18 July 2014 (being the latest practicable date before publication of this Prospectus).

(i) ***Other Material Interests***

The Company is receiving legal and financial advice from Speechly Bircham LLP and Canaccord Genuity Limited respectively, in addition to certain administrative services from third parties in connection with the Bonus Issue. The legal and financial advisers act for many other clients, including others in the investment funds sector and, on occasion, the professional advisers may face conflicts of interest as a result of acting both for the Company and such other clients. In the event of a conflict of interest, the legal and financial advisers will take such reasonable steps to ensure it is resolved fairly.

None of the Directors has any conflict of interest between any duties to the Company and his private interests and any other duties. The Manager, the Secretary, their respective directors, officers, employees, agents and affiliates and the Directors and any person or company with whom they are affiliated or by whom they are employed (each an “**Interested Party**”) may be involved in other financial, investment or other professional activities which may cause conflicts of interest with the Company. In particular, Interested Parties may provide services similar to those provided to the Company to other entities and shall not be liable to account for any profit from any such services. For example, an Interested Party may acquire on behalf of a client an investment in which the Company may invest.

9. Share Options and Share Scheme Arrangements

Subject to the Subscription Share Rights attaching to the Subscription Shares, no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

10. Investment Restrictions

The Company is subject to the Listing Rules which apply to closed-ended investment funds.

As required under Listing Rule 15.4.2, the Company will at all times invest and manage its assets in a way which is consistent with its objective of spreading investment risk and in accordance with its published Investment Policy as set out on pages 36 to 37 of this Prospectus.

In accordance with Listing Rule 15.2.3A, the Company (and, if applicable, any subsidiary undertakings) will not conduct any trading activity which is significant in the context of the Company and any such subsidiary undertakings as a whole, but this rule does not prevent the businesses forming part of the Company’s investment portfolio from conducting trading activities themselves.

In addition, in order to comply with Listing Rule 15.2.5, the Company will not invest more than 10 per cent., in aggregate, of the value of its total assets (calculated at the time of any relevant investment) in other closed-ended investment funds admitted to the Official List (save to the extent that those closed-ended investment funds have stated investment policies to invest no more than 15 per cent. of their gross assets in such other closed-ended investment funds).

In order to gain approval as an investment trust under Chapter 4 of Part 24 of the Taxes Act, the Company is required (amongst other requirements) to:

- demonstrate that its business consists of investing its funds in shares, land or other assets with the aim of spreading investment risk;

- retain not more than 15 per cent. of its income (from all sources) for each accounting period.

In the event of any material breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Manager through an announcement via a Regulatory Information Service.

11. Material Contracts

Save as described below, the Company has not (i) entered into any material contracts (other than contracts in the ordinary course of business) within the two years immediately preceding the publication of this Prospectus; or (ii) entered into any contracts that contain provisions under which the Company has any obligation or entitlement that is material to the Company as at the date of this Prospectus.

(a) Management Agreement

A Management Agreement dated 6 February 2006 (as amended on 18 January 2011 and 22 August 2012), was made between the Company and the Manager, under which the Manager agreed to provide investment management services for a fee of an amount equal to 0.85 per cent. per annum (exclusive of VAT) of the value of the Company's Total Asset Value (being the amount or value of the assets of the Company at that date, less the aggregate amount of current liabilities of the Company), calculated on the last business day of December, March, June and September and payable quarterly in arrears seven days after each such business day. The investment management fee was reduced from a rate of 1.00 per cent. per annum to 0.85 per cent. per annum with effect from 1 January 2014.

In addition, the Company agreed to pay to the Manager an index-linked fee for secretarial and administrative services, payable quarterly in arrears, at the current rate (31 December 2013) of £43,000 per annum.

The notice period by either party was six months. The Management Agreement could, however, be terminated without compensation if the Company was liquidated pursuant to the procedures laid down in the Articles regarding the Company's continuation. The Management Agreement could also be terminated forthwith as a result of a material breach of the Management Agreement or on the insolvency of the Manager. In addition, the Company could terminate the Management Agreement by two months' notice in writing if the Manager ceased to be a subsidiary of FIL Limited.

The Manager also provides certain other services such as marketing and administration, including connection with the Fidelity Investment Trust Share Plan and the Fidelity Individual Savings Account. Fees payable in respect of these services for the financial year ended 31 December 2013 were £100,000.

With effect from 22 July 2014, the Management Agreement has been replaced with the AIFM Agreement, details of which are set out at paragraph 11(b) below. Save as set out below, the AIFM Agreement is based on the Management Agreement.

(b) AIFMD related agreements

In order to comply with the AIFMD as implemented by the UK AIFMD Rules, the Company has entered into three new contracts: the AIFM Agreement with FIL Investment Services (UK) Limited (FISL); the Depositary Agreement where the parties are the Company, the AIFM and the Depositary; and the Global Custody Agreement where the parties are the Company, the AIFM, the Depositary and the Custodian.

With effect from 22 July 2014 the Management Agreement has been novated to FISL and immediately replaced with an agreement that complies with the UK AIFMD Rules. FISL and the Manager are both part of the FIL Limited group of companies.

Except to the extent that amendments were required to comply with the AIFMD, the terms of the AIFM Agreement are the same as the Management Agreement. In addition to acting as AIFM, FISL is responsible for the provision of company secretarial services. Contemporaneously on entering into the contract with the Company for the provision of AIFM, management and company secretarial services, FISL has entered into a contract with the Manager delegating portfolio management and the provision of company secretarial services.

The fee payable by the Company under the AIFM Agreement is equal to the fee amount which was payable under the Management Agreement for these services.

(c) *The Custody Agreement*

Pursuant to the terms of the Custody Agreement entered into between the Company and JPMorgan Chase Bank, NA (London Branch) dated 2 July 2001, the Custodian was entrusted with the safe custody of the assets of the Company. In particular, it carried out all usual duties relating to cash and securities and, in addition, could delegate such duties to sub-custodians. The Custodian was to use reasonable care in the selection and appointment of sub-custodians.

The following sub-custodian holds stock on behalf of the Company:

<i>Country</i>	<i>Name of sub-custodian</i>	<i>Regulatory status of sub-custodian</i>
Japan	Mizuho Bank Ltd, Tokyo	Regulated by the Financial Services Agency of Japan

The Custody Agreement could be terminated by either party upon giving sixty days' notice in writing to the other party. The Custody Agreement was subject to earlier termination by either party in the event of the other party's liquidation or un-remedied material breach of contract, and by the Company in the event of the Custodian ceasing to be authorised by the Financial Conduct Authority or ceasing to maintain other appropriate authorisations or permissions.

The Company would pay and the Custodian would receive a fee for its services under the Custody Agreement, together with the Custodian's reasonable out-of-pocket or incidental expenses. The amount, as may be agreed upon in writing, would only be increased by the Custodian upon giving at least 30 days' written notice to the Company. The fee payable in respect of these services for the financial year ended 31 December 2013 was £13,000 and it is estimated that the fee payable for the financial year ending 31 December 2014 would remain at £13,000.

The Custody Agreement contained provisions for the indemnification by the Company of the Custodian, the sub-custodians and their respective nominees, directors, officers, agents and employees (together, the "**Custody Indemnified Party**") against any costs, claims, losses, liabilities, damages, expenses, fines, penalties, taxes and other matters that might be imposed on, incurred by or asserted against the Custody Indemnified Party by reason of the Custody Indemnified Party acting pursuant to the Custody Agreement or by their status as a holder of record of Securities, except to the extent that they resulted from the fraud, negligence or wilful default of the Custodian or from the action of the Custody Indemnified Party for which the Custodian is liable to under the Custody Agreement.

With effect from 22 July 2014, the Custody Agreement has been replaced with the new Global Custody Agreement, details of which are set out at paragraph 11(d) below. Save as set out below, the Global Custody Agreement is based on the Custody Agreement.

(d) *Depositary Agreement and new Global Custody Agreement*

With effect from 22 July 2014, the Company has appointed J. P. Morgan Europe Limited as the Depositary. Under the Depositary Agreement, J.P. Morgan Europe Limited has oversight, cash monitoring and safekeeping of assets responsibilities. It has strict liability in relation to financial instruments and is liable for negligence and wilful default. The agreement is terminable on ninety days notice. The Depositary Agreement is subject to earlier termination if either party goes into liquidation, there is an unremedied material breach of the contract or the AIFM of the depositary ceases to hold any necessary regulatory permission.

J.P. Morgan Europe Limited is able to delegate safekeeping to another person provided it follows the requirements of the UK AIFMD Rules, which include that the delegation is for objective reasons and that the depositary undertakes due diligence and monitoring of the delegate.

J.P. Morgan Europe Limited has delegated the safekeeping of assets to the Custodian and together with the Company and the AIFM has entered into a new Global Custody Agreement.

The new Global Custody Agreement is similar in terms to the Custody Agreement. Under the Global Custody Agreement, the Custodian accepts liability for direct damages from fraud, negligence or wilful misconduct. It is also liable for direct losses incurred from the failure of a Sub-custodian to use reasonable care in the provision of custodial services, the fraud or wilful misconduct of such Sub-custodian. For non-Affiliate Sub-custodians, the Custodian will not be liable for their insolvency.

The Depositary is entitled to an annual fee equal to 0.01 per cent. of the NAV of the Company, for providing the Depositary services. Based on the NAV of the Company as at 18 July 2014 (being the latest practicable date prior to the publication of this Prospectus), this corresponds to a fee of £9,000.

(e) ***Registrars Agreement***

The Registrar is responsible for providing share registration services to the Company under the terms of a registrars agreement. These services include (but are not limited to): the maintenance of the Company's register of members; the maintenance of the Corporate Portal that provides the Company with remote online access to the share register and analysis tools; and the provision of the Shareholder Web Portal.

The Company has agreed to pay quarterly fees, together with any expenses and disbursements, to the Registrar in consideration for the services received. The annual fee is based on the number of holders on the register of members from time to time and includes charges for the provision of the Corporate Portal and the Shareholder Web Portal. The most recent annual fees of the Registrar for registrar services were £31,000 (excluding VAT).

Fees may be increased by the Registrar upon 30 days' written notice to the Company. The revised fee will apply from the expiry of the 30 day period.

12. UK Taxation

(a) ***Introduction***

The following statements are based upon current UK tax law and what is understood to be the current practice of HMRC, both of which are subject to change, possibly with retrospective effect. The statements are intended only as a general guide and may not apply to certain Shareholders, such as dealers in securities, insurance companies, collective investment schemes or Shareholders who have (or are deemed to have) acquired their shares by virtue of an office or employment, who may be subject to special rules. They apply only to Shareholders resident and ordinarily resident for UK tax purposes in the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold Shares as an investment rather than trading stock and who are the absolute beneficial owners of those Shares.

The information contained in this Prospectus relating to taxation matters is a summary of the taxation matters which the Directors consider should be brought to the attention of Shareholders and is based upon the law and practice currently in force and is subject to changes therein. All Shareholders, and in particular those who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers on the potential tax consequences of holding, transferring or otherwise disposing of Subscription Shares or exercising the Subscription Share Rights under the laws of their country and/or state of citizenship, domicile or residence.

(b) ***The Company***

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies and continues to satisfy the conditions necessary for it to be approved by HMRC as an investment trust under Chapter 4 of Part 24 of the Tax Act. However, neither the Manager nor the Directors can guarantee that this approval will be maintained. One of the conditions for a company to qualify as an investment trust is that it is not a close company. The Directors consider that the Company should not be a close company immediately following the issue of the Subscription Shares pursuant to the Bonus Issue. In respect of each accounting period for which the Company continues to be approved by HMRC as an investment trust the Company will be exempt from UK taxation on its capital gains. The Company will, however, be liable to UK corporation tax on its income in the normal way. Income arising from any overseas investments may be subject to foreign withholding tax at the relevant jurisdiction's applicable rate, but relief may be available under the terms of an applicable double tax treaty.

(c) ***Shareholders***

(i) For the purposes of United Kingdom capital gains tax and corporation tax on chargeable gains ("CGT"), the receipt of the Subscription Shares arising from the Bonus Issue will be a re-organisation of the share capital of the Company. Accordingly, the Subscription Shares will be treated as the same asset as the Shareholder's holding of Ordinary Shares and as having been acquired at the same time as the Shareholder's holding of Ordinary Shares was acquired. As a result of the Bonus Issue the Shareholder's original base cost in his or her Ordinary Shares will be apportioned between his or her Ordinary Shares and the Subscription Shares by reference to their respective market values on the day on which the Subscription Shares are admitted to trading on the London Stock Exchange's market for listed securities. That is to say, the base cost of such a Shareholder's Ordinary Shares is deemed to be the actual base cost to the Shareholder of those Ordinary Shares multiplied by a fraction whose numerator is A and whose denominator is (A+B), where A is the market value of the Ordinary Shares on the day on which the Subscription Shares are admitted to trading, and B is the market value of the Subscription Shares on the same date. The base cost of the Subscription Shares is deemed to be the actual base cost of the Ordinary Shares less the deemed base cost of the Ordinary Shares calculated as described above.

On the exercise of the right to convert any Subscription Shares into Ordinary Shares, the Ordinary Shares issued pursuant to the Subscription Share Rights will be treated as the same asset as the Subscription Shares in respect of which the Subscription Share Rights are exercised. The base cost of each such Ordinary Share will be the deemed base cost of the Subscription Share that it replaces, calculated as described above, plus the applicable Subscription Price.

(ii) ***Taxation of capital gains***

Individual Shareholders who are resident or ordinarily resident in the UK for tax purposes will generally be subject to capital gains tax at the flat rate of 18 per cent. if they are basic rate taxpayers or 28 per cent. if they are higher or additional rate taxpayers in respect of any gain arising on a disposal or deemed disposal of their Ordinary Shares or Subscription Shares. No indexation allowance will be available to such Shareholders. However, each individual has an annual exemption, such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £11,000 for the tax year 2014-2015.

Shareholders who are individuals and who are temporarily non-resident in the UK may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised (subject to any available exemption or relief).

Corporate Shareholders who are resident in the UK for tax purposes will generally be subject to corporation tax on chargeable gains arising on a disposal of their Shares. The indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

Capital losses realised on a disposal of Ordinary Shares or Subscription Shares must be set as far as possible against chargeable gains for the same tax year (or accounting period in the case of a Corporate Shareholder), even if this reduces an individual Shareholder's total gain below the annual exemption. Any balance of losses is carried forward without time limit and set off against net chargeable gains (that is, after deducting the annual exemption) in the earliest later tax year. Losses cannot generally be carried back, with the exception of losses accruing to an individual Shareholder in the year of his death.

(iii) *Taxation of dividends*

Under current tax law, the Company will not be required to withhold tax at source when paying a dividend.

An individual Shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company should generally be entitled to a tax credit which may be set off to the appropriate extent against the Shareholder's total income tax liability on the dividend. An individual UK resident Shareholder will be liable to income tax on the sum of the tax credit and the dividend (the "gross dividend") which will be treated as the top slice of the individual's income for UK income tax purposes. The tax credit equals 10 per cent. of the gross dividend. The tax credit therefore also equals one-ninth of the cash dividend received.

A UK resident individual Shareholder who is liable to income tax at the basic rate will be subject to tax on the dividend at the rate of 10 per cent. of the gross dividend. This means that the tax credit will satisfy in full such a Shareholder's liability to income tax on the dividend.

If and to the extent that the gross dividend received by a UK resident individual Shareholder falls above the threshold for the additional rate of income tax (currently £150,000), that individual will be subject to tax on the gross dividend at the rate of 37.5 per cent.. That individual would be able to set the tax credit off against part of this liability and the effect of that set-off of the tax credit would be that such an individual would currently have to account for additional tax equal to 27.5 per cent. of the gross dividend (which is also equal to 30.6 per cent. of the cash dividend received), to the extent that the gross dividend falls above the threshold for the additional rate of income tax.

There will be no repayment of all or part of the tax credit to an individual Shareholder whose liability to income tax on all or part of the gross dividend is less than the amount of the tax credit. This will include a Shareholder who holds the Ordinary Shares or the Subscription Shares through an ISA.

UK resident taxpayers who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim a repayment of the tax credit attaching to dividends paid by the Company.

A corporate Shareholder who is resident in the UK or carries on a trade in the UK through a permanent establishment in connection with which its Shares are held will be subject to UK corporation tax on the gross amount of any dividends paid by the Company, unless the dividend falls within one of the exempt classes set out in Part 9A of the Corporation Tax Act 2009. It is anticipated that dividends paid on the Shares to UK resident corporate Shareholders would generally (subject to anti-avoidance rules) fall within one of those exempt classes, however, such Shareholders are advised to consult their independent professional tax advisers to determine whether such dividends will be subject to UK corporation tax.

Non-UK resident Shareholders will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends paid by the Company. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. It is particularly important that Shareholders who are not resident in the UK for tax purposes obtain their own tax advice concerning tax liabilities on dividends received from the Company.

(iv) *Stamp duty and stamp duty reserve tax*

Transfers on the sale of Ordinary Shares or Subscription Shares will generally be subject to UK stamp duty at the rate of 0.5 per cent. of the consideration given for the transfer. The purchaser normally pays the stamp duty.

An agreement to transfer Ordinary Shares or Subscription Shares will normally give rise to a charge to stamp duty reserve tax (“SDRT”) at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. If a duly stamped transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT paid is repayable, generally with interest, and otherwise the SDRT charge is cancelled. SDRT is, in general, payable by the purchaser.

Paperless transfers of Ordinary Shares or Subscription Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration.

Where Ordinary Shares or Subscription Shares are issued or transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT may be payable at the higher rate of 1.5 per cent., of the amount or value of the consideration given or, in certain circumstances, the value of the Ordinary Shares or the Subscription Shares. This liability for stamp duty or SDRT will strictly be payable by the clearance service or depositary receipt operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt scheme.

However, following the First-tier Tribunal decision in *HSBC Holdings PLC and The Bank of New York Mellon Corporation v HMRC* [2012] UKFTT 163 (TC) (and the European Court of Justice decision in *HSBC Holdings PLC v HMRC* (Case C-569/07)), on 27 April 2012 HMRC issued a note stating that it will no longer seek to impose the 1.5 per cent. SDRT charge on issues of UK shares and securities to depositary receipt issuers and clearance services anywhere in the world. HMRC consider though that the 1.5 per cent. SDRT charge will still apply to transfers of shares and securities to depositary receipt issuers or clearance services that are not an integral part of an issue of share capital.

(v) *ISAs*

The Subscription Shares and the Ordinary Shares arising on the exercise of the Subscription Share Rights should be eligible to be held in an ISA, subject to applicable annual subscription limits (£11,880 from 6 April 2014, rising to £15,000 from 1 July 2014). Investments held in ISAs will be free of UK tax on both capital gains and income. The opportunity to invest in Subscription Shares or Ordinary Shares through an ISA is restricted to certain UK resident individuals aged 18 or over. The Subscription Price paid upon any exercise of the right to convert Subscription Shares into Ordinary Shares would contribute towards the annual subscription limit in the year in which the Subscription Share Right was exercised, unless the Subscription Price were paid out of cash already within the Shareholder’s ISA. Sums received by a Shareholder on a disposal of Subscription Shares or Ordinary Shares would not count towards the Shareholder’s annual limit; but a disposal of Subscription Shares or Ordinary Shares held in an ISA will not serve to make available again any part of the annual subscription limit that has already been used by the Shareholder in that tax year. Individuals wishing to invest in Subscription Shares through an ISA should contact their professional advisers regarding their eligibility.

(vi) *Self-Invested Personal Pensions (SIPPs)*

The Ordinary Shares and Subscription Shares in the Company shall constitute permitted investments for SIPPs.

13. Corporate Governance

The Company is committed to high standards of corporate governance. The Board has put in place a framework for corporate governance which it believes is suitable for an investment trust and which will enable the Company to comply with the UK Corporate Governance Code and the AIC Code. Save as disclosed below, the Company complies with the best practice provisions of the UK Corporate Governance Code and the AIC Code.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Corporate Governance Guide and in the preamble to the UK Corporate Governance Code, the Board considers that these provisions are not relevant to the Company, being an externally managed investment company.

David Miller was appointed by the Board as Senior Independent Director on 1 January 2013.

The Board, currently chaired by David Robins, consists of five non-executive Directors, four of whom are regarded by the Board as independent of the Manager, including the Chairman. Mr Fraser is regarded as non-independent as he serves as a director on the board of Fidelity European Values Plc, which is managed by the Manager.

All appointments to the Board and replacements of Directors take place in accordance with the 2006 Act and the Company's Articles. The Nomination and Remuneration Committee is responsible for identifying possible candidates for consideration by the Board. Whilst the independent Directors take the lead in the appointment of new Directors, any proposal for a new Director will be discussed and approved by the entire Board. External consultants are also used to identify potential candidates.

(a) *The Audit Committee*

The Audit Committee consists of all of the independent Directors and is chaired by Sir Laurence Magnus. The Committee considers that collectively the members of the Committee have sufficient recent and relevant financial experience to discharge its responsibilities fully.

The Committee's authority and duties are clearly defined in its written terms of reference which are available for inspection at the Company's registered office and are included on the Company's pages of the Manager's website (www.fidelity.co.uk/its). These include responsibility for reviewing the half-yearly financial statements and annual reports and financial statements, reviewing the scope and results of the audit and the effectiveness and cost of the audit process and reviewing the Company's internal financial controls. They also include responsibility for reviewing and monitoring the external Auditor's independence and objectivity with particular regard to the provision of non-audit services taking into consideration relevant UK professional and regulatory requirements. No work other than the audit was carried out by the Company's Auditor during the year ended 31 December 2013.

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

In the year to 31 December 2013, the Audit Committee discharged its responsibilities by, amongst other things, reviewing:

- the Company's risk and control framework;
- the Going Concern statement in the Annual Report;
- compliance with Corporate Governance and regulatory requirements;

- the Annual Report and Financial Statements and recommendation of their approval to the Board;
- the Auditor's findings, performance and independence, including a private meeting with the Auditors;
- the risk associated with cybercrime;
- the Company's risk and control framework;
- the half-yearly report and recommendation of its approval to the Board;
- the Committee's Terms of Reference;
- the Auditor's engagement letter and audit plan for the Company's year ending 31 December 2013.

(b) ***The Nomination Committee***

The Nomination Committee consists of all of the Directors (as there is no reason to exclude any Director) and is chaired by David Robins. The Committee is charged with nominating new Directors for consideration by the Board of Directors, and subsequent approval by Shareholders. It believes that the best way of ensuring that the Board as a whole and each independent Director individually carry out their duties in an independent manner, irrespective of the interests of the Manager, is to ensure that the search for, the interview of and recommendation to the Board of a candidate is entirely controlled by this Committee. As part of this process, external consultants are used to identify potential candidates. No such consultant was used during the year to 31 December 2013. The Nomination and Remuneration Committee also considers the re-election of Directors who are retiring by rotation.

There is a formal and transparent process for the appointment of new Directors to the Board. The Committee carries out its candidate search against a set of objective criteria, with due regard for the benefits of diversity on the Board, including gender. New Directors are appointed on the basis of merit.

This Committee meets on an annual basis and as and when required. The Committee has written terms of reference and is responsible, amongst other things, for identifying and nominating, for the approval to the Board, candidates to fill Board vacancies taking into account the need to maintain a balanced Board. Only the independent Directors on the Committee vote on the recommendation of candidates for appointments as new Directors. Care is taken to ensure that appointees have enough time to devote to the role.

(c) ***The Management Engagement Committee***

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

The Committee is responsible for reviewing the performance of the Manager and the terms of the Management Agreement to ensure that it is competitive and in the interests of shareholders; and making recommendations to the Board concerning any proposed amendments to the terms of the Management Agreement.

In reviewing the performance of the Manager, the Committee considers a range of factors including:

- Quality of team – the skills and particularly the experience of the team involved in managing all aspects of the Company's business;
- Commitment of the Manager to the investment trust business generally and to the Company in particular;

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

The Committee met and reviewed the performance of the Manager for the year to 31 December 2013. Having reviewed the criteria set out above, the Committee concluded that it was in the interests of the shareholders as a whole that the Management and Secretarial Services Agreement should continue.

The Committee's terms of reference are available for inspection at the Company's registered office and on the Company's pages of the Manager's website (www.fidelity.co.uk/its). Details of the Management Agreement appear at paragraph 11 of this Part V.

14. Litigation

There have been no governmental, legal or arbitration proceedings (and no such proceedings are pending or threatened of which the Company is aware) in the previous 12 months which may have, or have had in the recent past, significant effects on the Company's financial position or profitability. The Company has no subsidiaries.

15. Third Party Information and Consents

- (a) The Manager has given and not withdrawn its written consent to the issue of this Prospectus with the inclusion in it of references to its name in the form and context in which they appear.
- (b) Canaccord Genuity Limited has given and not withdrawn its written consent to the issue of this Prospectus with the inclusion in it of references to its name in the form and context in which they appear.
- (c) In relation to information provided by third parties, the Company confirms that that information has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the information reproduced inaccurate or misleading.

16. General

- (a) The Company does not conduct any significant trading activity.
- (b) The Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.
- (c) The most recent annual fees of the Auditor for audit services were £22,750 (excluding VAT). Apart from these fees and the fees payable to the Manager and the Custodian as disclosed in paragraph 11 of this Part V there are no other material fees payable by the Company.
- (d) The most recent annual fees of the Registrar for registrar services were £30,833 (excluding VAT).
- (e) Where Subscription Shares are converted into Ordinary Shares, the total assets of the Company will increase by that number of Ordinary Shares multiplied by the relevant Subscription Price. It is not expected that there will be any material impact on the earnings and liabilities per Ordinary

Share as the net proceeds resulting from any conversion are expected to be invested in a manner consistent with the investment objective and policy of the Company.

- (f) The typical investors for whom an investment in the Company is intended are professionally advised private investors, or institutional investors, seeking long term capital growth from investment in Japan. An investment in the Company may also be suitable for financially sophisticated private investors who are not professionally advised but are capable of evaluating the risks and merits of an investment in the Company and who have sufficient resources to bear any loss that may result from such an investment. However, such investors should consider consulting an independent financial adviser authorised under the FSMA before investing.

17. Auditor

The auditor of the Company for the financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 was Grant Thornton UK LLP of 30 Finsbury Square, London EC2P 2YU.

18. Documents on Display

The following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the Company's registered office and at 25 Cannon Street, London EC4M 5TA for so long as this Prospectus remains valid:

- (a) this Prospectus;
- (b) the current Articles of Association of the Company;
- (c) the New Articles;
- (d) the audited financial statements of the Company for the financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 respectively;
- (e) the letters of appointment referred to in 8(c) above; and
- (f) the material contracts referred to in paragraph 11 above.

Dated: 22 July 2014

PART VI
DEFINITIONS

In this Prospectus the words and expression listed below have the meanings set out opposite them, except

2006 Act	the Companies Act 2006
Admission	the admission of the Subscription Shares (i) to the standard segment of the Official List and (ii) to trading on the London Stock Exchange's main market for listed securities becoming effective in accordance with the Listing Rules and the admission and disclosure standards of the London Stock Exchange for securities admitted or seeking to be admitted to trading, as amended from time to time
AGM	annual general meeting of the Company
AIC	the Association of Investment Companies
AIC Code	the Association of Investment Companies Code of Corporate Governance, as amended from time to time
AIFM	Alternative Investment Fund Manager as that term is defined in the UK AIFMD Rules, which in relation to the Company is FISL with effect from 22 July 2014
AIFM Agreement	the agreement between the Company and the AIFM, taking effect on 22 July 2014, for the provision of investment management, company secretarial, accounting and administrative services
AIFMD	the Alternative Investment Fund Manager Directive 2011/61/EU as amended from time to time and the associated Level II Regulations
Articles	the Articles of Association of the Company, as amended from time to time
Auditor	Grant Thornton UK LLP
Board	the Board of Directors of the Company or any duly constituted committee thereof
Bonus Issue	the issue to Qualifying Shareholders of Subscription Shares on the basis of one Subscription Share for every five Existing Ordinary Shares held
Business Day	any day on which banks are open for business in London (excluding Saturdays, Sundays and public holidays)
Canaccord Genuity	Canaccord Genuity Limited
Capita Asset Services	a trading name of the Registrars
CFDs	contracts for difference
Chairman	the Chairman of the Company

collateral	assets provided as security for the unrealised profits or losses under CFDs
Company	Fidelity Japanese Values PLC
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations
Custodian	JPMorgan Chase Bank, NA (London Branch) (formerly The Chase Manhattan Bank)
Custody Agreement	the agreement between the Custodian and the Company regarding the custody of the assets of the Company dated 2 July 2001
Deferred Shares	has the meaning given in paragraph 8(g)(vii) of Part IV
Depositary	a depositary appointed in relation to the Company in accordance with Article 21 of the AIFMD, the first Depositary being J.P. Morgan Europe Limited, 25 Bank Street, London E14 5JP with effect from 22 July 2014
Depositary Agreement	the agreement entered into between the Company, FISL and J.P. Morgan Europe Limited with effect from 22 July 2014
Directors	the directors of the Company
Disclosure and Transparency Rules	the disclosure rules made by the FCA under Part VI of the FSMA
EEA	the European Economic Area
EEA State	a member state of the EEA
Euroclear	Euroclear UK & Ireland Limited, being the operator of CREST
Existing Ordinary Shares	the Ordinary Shares in issue on the Record Date
Fidelity Investment Trust Share Plan	Fidelity Investment Trust Share Plan
Financial Conduct Authority or FCA	Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part IV of FSMA or any successor authority
FISL	FIL Investment Services (UK) Limited
Form of Proxy	the form of proxy provided with this Prospectus for use in connection with the General Meeting by Shareholders
FSMA	the Financial Services and Markets Act 2000
General Meeting	the General Meeting of the Company to consider the Resolution, convened for 4.00 p.m. on 26 August 2014 at 25 Cannon Street, London EC4M 5TA or any adjournment thereof
Global Custody Agreement	the agreement between the Company, FISL, J.P. Morgan Europe Limited and the Custodian, which takes effect on 22 July 2014

HMRC	HM Revenue & Customs
Investment Policy	the investment policy of the Company as determined by the Directors from time to time and published in the Company's annual report and financial statements
ISA	an individual savings account maintained in accordance with the UK Individual Savings Account Regulations 1998 (as amended from time to time)
Listing Rules	the listing rules issued by the UK Listing Authority
London Stock Exchange	London Stock Exchange plc
Management Agreement	the agreement dated 6 February 2006 between the Manager and the Company, as amended on 18 January 2011 and 22 August 2012
Manager	FIL Investments International
NAV	net asset value as calculated in accordance with the Company's accounting policies and the Articles or the value of the net assets per Ordinary Share, as the context requires
New Articles	the Articles of Association of the Company as proposed to be adopted at the General Meeting
Notice of General Meeting	the notice of General Meeting as set out in this Prospectus
Official List	Official List maintained by the UK Listing Authority
Ordinary Share or Shares	an ordinary share of 25 pence each in the capital of the Company with ticker: FJV LN and ISIN: GB0003328555
Ordinary Shareholders	a holder of Ordinary Shares
Overseas Shareholders	Shareholders who are resident in territories outside the EEA
Prospectus	this document
Prospectus Rules	the rules and regulations made by the FCA under Part V of the FSMA (as amended from time to time)
Qualifying Shareholders	Shareholders whose names are entered on the Register at the close of business on the Record Date
Record Date	the date on which Qualifying Shareholders' entitlements to the Bonus Issue will be assessed against the Register, expected to be 5.00 p.m. on 26 August 2014
Register	the register of members of the Company
Registrars	Capita Registrars Limited
Regulatory Information Service	a service authorised by the UK Listing Authority to release regulatory announcements to the London Stock Exchange
Resolution	the special resolution to be proposed at the General Meeting relating to the Bonus Issue and the adoption of the New Articles

Savings Schemes	the Fidelity Investment Trust Share Plan and the Fidelity ISA
Savings Scheme Participant	a holder of Shares though either of the Savings Schemes
Secretary	FIL Investments International
Securities Act	the US Securities Act of 1933, as amended
Shareholder	an Ordinary Shareholder and/or a holder of Subscription Shares, as the context requires
Shares	the Ordinary Shares and/or the Subscription Shares, as the context requires
SIPP	self invested personal pension
SSAS	small self-administered pension scheme
Sterling	lawful currency of the United Kingdom
Subscription Date	any date on which Subscription Share Rights are exercised
Subscription Price	the price at which the Subscription Share Rights are exercised in accordance with the rights attaching to the Subscription Shares (and subject to adjustment in accordance with those rights)
Subscription Shareholders	holders of Subscription Shares
Subscription Share Rights	the right conferred by each Subscription Share to subscribe for one Ordinary Share as detailed in Part IV of this Prospectus and contained in the New Articles
Subscription Shares	the subscription shares of 0.001 pence each in the capital of the Company with Ticker: FJVS and ISIN: GB00BLY2CK21 to be issued pursuant to the Bonus Issue
Tax Act	the Corporation Tax Act 2010
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UK AIFMD Rules	the UK national laws, regulations and directly applicable EU regulations and guidance which implement AIFMD
UK Corporate Governance Code	the UK Corporate Governance Code published by the Financial Reporting Council, as amended from time to time
UK GAAP	United Kingdom Generally Accepted Accounting Principles
UK Listing Authority	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of admissions to the Official List
Uncertificated Securities Regulations	the Uncertificated Securities Regulations 2001
US Investment Company Act	The United States Investment Company Act of 1940, as amended
VAT	UK value added tax

Voting Instruction Form

the voting instruction form provided with this Prospectus for use in connection with the General Meeting by Shareholders who hold Ordinary Shares through either of the Savings Schemes

Yen

the lawful currency of Japan

PART VII

NOTICE OF GENERAL MEETING

FIDELITY JAPANESE VALUES PLC

*Incorporated and registered in England and Wales with company number 2885584
Terms defined in the Prospectus of the Company dated 22 July 2014 ("Prospectus") and not otherwise defined in this
Notice of General Meeting will bear the same meaning in this Notice of General Meeting.*

Notice is hereby given that a General Meeting (the "**Meeting**") of Fidelity Japanese Values PLC (the "**Company**") will be held at 25 Cannon Street, London EC4M 5TA on 26 August 2014 at 4.00 p.m. to consider and, if thought fit, approve the following Resolution, which shall be proposed as a special resolution:

SPECIAL RESOLUTION

1. THAT subject to the UK Listing Authority agreeing to admit to the Official List the subscription shares of 0.001 pence each in the capital of the Company (the "**Subscription Shares**") to be issued pursuant to the bonus issue described in the Prospectus (the "**Bonus Issue**") and London Stock Exchange plc agreeing to admit such Subscription Shares to trading on its main market for listed securities:
 - (A) the draft regulations produced to the Meeting and, for the purposes of identification, initialled by the Chairman, (the "**New Articles**") be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company;
 - (B) in addition to any existing authority under section 551 of the Companies Act 2006 (the "**2006 Act**") granted to the Directors at any AGM held before the passing of this Resolution, for the purposes of section 551 of the 2006 Act (and so that expressions used in this resolution shall bear the same meanings as in the said section 551) the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot Subscription Shares pursuant to the Bonus Issue and Ordinary Shares pursuant to the exercise of the rights attaching to the Subscription Shares to subscribe for such shares (the "**Subscription Share Rights**") as set out in the New Articles to be adopted pursuant to sub-paragraph (A) of this Resolution, up to a maximum aggregate nominal amount of (i) £227.91 in respect of the allotment of Subscription Shares and (ii) £5,697,741.50 in respect of the allotment of Ordinary Shares pursuant to the exercised of the Subscription Share Rights, provided that such authority shall expire at the conclusion of the Company's AGM to be held in 2016, save that the Company may prior to the expiry of such period make any offer or agreement which would or might require such Subscription Shares and/or Ordinary Shares to be allotted after such expiry and the Directors may allot such Subscription Shares and/or Ordinary Shares in pursuance of any such offer or agreement as if the authority conferred hereby had not expired;
 - (C) in addition to any existing power and authority granted to the Directors under sections 570 to 573 of the 2006 Act at any AGM held before the passing of this Resolution, the Directors be empowered and authorised in accordance with sections 570 and 571 of the 2006 Act to grant Subscription Share Rights and to allot Ordinary Shares for cash, pursuant to the authority conferred by sub-paragraph (B) of this Resolution, as if section 561(1) of the 2006 Act did not apply to any such grant of rights or allotment, provided that this power shall be limited to the grant of the Subscription Share Rights and allotment of Ordinary Shares pursuant to the exercise of the Subscription Share Rights up to a maximum aggregate nominal amount of £5,697,741.50, provided that such power shall expire at the conclusion of the Company's AGM to be held in 2016, save that the Company may, before such expiry make offers or agreements which would or might require such Ordinary Shares to be allotted after such expiry and the Directors may allot such Ordinary Shares in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired;

- (D) the Directors be and are hereby empowered to capitalise any part of the amount then standing to the credit of any of the share premium account, the capital redemption reserve, special reserve and any other applicable reserve otherwise available for the purpose of paying up in full at par up to 22,790,966 Subscription Shares to be issued pursuant to the Bonus Issue, such shares to be allotted and distributed credited as fully paid up to and among holders of Ordinary Shares in the proportion of one new Subscription Share for every five Ordinary Shares held (fractions of a Subscription Share being ignored) and, to the extent necessary, paying up in full any Ordinary Shares to be allotted in accordance with the provisions of the New Articles of the Company as adopted by sub-paragraph (A) of this Resolution relating to the exercise of rights attaching to the Subscription Shares and any additional Subscription Shares required to be issued to holders of Subscription Shares in accordance with the rights attaching to the Subscription Shares;
- (E) any consolidation, sub-division or redemption of share capital required in the opinion of the Directors to give effect to the rights of the holders of Subscription Shares be hereby approved;
- (F) in addition to any existing authority under section 701 of the 2006 Act granted to the Company at any AGM held before the passing of this Resolution, the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with section 701 of the 2006 Act to make market purchases (within the meaning of section 693(4) of the Companies Act 1985) of its issued Subscription Shares, provided that:
- (i) the maximum number of Subscription Shares hereby authorised to be purchased shall be 3,416,365 or if less, that number of Subscription Shares which is equal to 14.99 per cent. of the Company's issued Subscription Share capital immediately following Admission (as defined in the Prospectus);
 - (ii) the minimum price which may be paid for a Subscription Share is 0.001 pence;
 - (iii) the maximum price which may be paid for a Subscription Share will not exceed the higher of (i) 5 per cent. above the average of the middle market quotations (as derived from the Official List) for the five consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made and (ii) the higher of the price quoted for (a) the last independent trade of, or (b) the highest current independent bid for, any number of Subscription Shares on the trading venue where the purchase is carried out;
 - (iv) the authority hereby conferred shall expire on at the conclusion of the next AGM of the Company or on the expiry of 12 months from the passing of this Resolution, whichever is the earlier, unless the authority is renewed, varied or revoked by the Company in general meeting prior to such time; and
 - (v) the Company may make a contract to purchase Subscription Shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of Subscription Shares pursuant to any such contract notwithstanding such expiry.

BY ORDER OF THE BOARD

FIL Investments International Secretary

Date: 22 July 2014

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

Notes:

- (1) A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend and speak and vote in his place. A member may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Member. A proxy need not be a member of the Company.
- (2) To appoint a proxy you may use the Form of Proxy enclosed with this Notice of General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be completed and returned in accordance with the instructions printed thereon to the Company's Registrars, Capita Asset Services at PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF, or delivered by hand during office hours to the same address as soon as possible and in any event by not later than 4.00 p.m. on 21 August 2014.
- (3) To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 4.00 p.m. on 21 August 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35 (5) (a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrars no later than 4.00 p.m. on 21 August 2014.
- (4) Completion of the Form of Proxy will not prevent you from attending and voting in person.
- (5) Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the 2006 Act (a "Nominated Person") should note that the provisions in Notes (1) to (4) above concerning the appointment of a proxy or proxies to attend the General Meeting in place of a member, do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the Meeting.
- (6) Nominated persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.
- (7) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only Shareholders registered in the register of members of the Company by not later than 6.00 p.m. two days prior to the time fixed for the Meeting, excluding non-working days, shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is 6.00 p.m. two days prior to the time of the adjournment, excluding non-working days. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
- (8) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- (9) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
- (10) If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3 per cent. or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.
- (11) As at 21 July 2014 (being the last business day prior to the printing of this Notice) the Company's issued capital consisted of 113,954,834 Ordinary Shares carrying one vote each. Therefore, the total voting rights in the Company as at 21 August 2014 are 113,954,834 Ordinary Shares carrying one vote each.
- (12) The proposed New Articles are available for inspection at the registered office of the Company, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Meeting and will be available for inspection at the place of the Meeting for at least 15 minutes prior to and during the Meeting.

APPENDIX TO NOTICE OF MEETING

CHANGES TO THE ARTICLES – PAYMENT OF DIVIDENDS

It is proposed to amend the Articles in respect of the procedures to be followed when paying dividends. At present, the Company must send dividend cheques by post, but may instead pay dividends directly into a bank account on the instructions of the Shareholder. In accordance with the recent recommendations of the Registrar's Group of the Institute of Chartered Secretaries and Administrators, the New Articles give greater flexibility to make payments in other ways, particularly electronically, and in the future to specify that the default option for payment of dividends may be by direct payment into a bank account with an option for Shareholders to continue to receive payment by cheque through the post.

The New Articles provide that if cheques or other payment methods for dividends fail, and having made reasonable enquiries the Company cannot establish another means of paying the Shareholder, the Company may cease to make payments until it has correct payment information and after twelve years the dividends are forfeited.

