

Fidelity Japanese Values PLC

Half-Yearly report for the 6 months ended 30 June 2017



Contents

An aerial night view of a city, likely Vancouver, with a large, snow-capped mountain (Mount Fuji) in the background. The city lights are visible, and the sky is a mix of orange and blue from the sunset or sunrise.

Directors' Reports

- 1 Investment Objective and Performance
- 2 Summary of Results
- 3 Performance Review
- 6 Interim Management Report
- 7 Directors' Responsibility Statement
- 8 Twenty Largest Holdings
- 10 Gearing

Financial Statements

- 12 Income Statement
- 14 Statement of Changes in Equity
- 16 Balance Sheet
- 17 Notes to the Financial Statements

Information for Shareholders

- 26 Shareholder Information
- 27 Directory
- 28 Glossary of Terms

Investment Objective and Performance

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

Six months ended 30 June 2017

Net Asset Value ("NAV")
per Ordinary Share Total
Return

+10.9%

30 June 2016: +15.1%

Ordinary Share Price
Total Return

+22.2%

30 June 2016: +9.5%

Russell Nomura Mid/
Small Cap Index Total
Return (in sterling terms)*

+6.7%

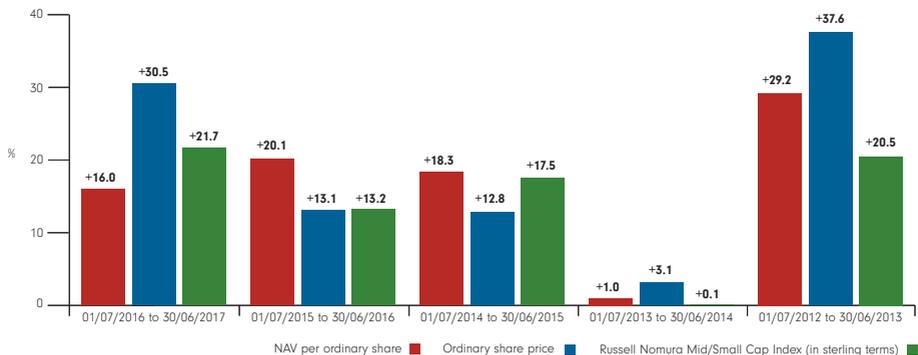
30 June 2016: +7.0%

* The Company's Reference Index

As at 30 June 2017

Shareholders' Funds	£184.0m
Market Capitalisation	£168.2m
Capital Structure:	
Ordinary Shares of 25 pence each held outside Treasury	135,606,695

Standardised Performance – Total Return (%)



Sources: Fidelity and Datastream

Past performance is not a guide to future returns

Summary of Results

	30 June 2017	31 December 2016
Assets		
Total portfolio exposure ¹	£227.3m	£206.9m
Shareholders' funds	£184.0m	£166.4m
Total portfolio exposure in excess of shareholders' funds (Gearing – see page 10)	23.5%	24.3%
NAV per ordinary share	135.69p	122.37p
Stockmarket data		
Russell Nomura Mid/Small Cap Index (in sterling terms)	3.5217	3.2992
Yen/£ exchange rate	145.950	144.120
Ordinary share price at period end	124.00p	101.50p
period high ²	126.25p	107.00p
period low ²	102.00p	70.50p
Discount at period end	8.6%	17.1%
period high ²	18.6%	22.1%
period low ²	8.6%	8.8%
Results for the six months ended 30 June – see pages 12 and 13		
	2017	2016
Revenue return per ordinary share	0.09p	0.31p
Capital return per ordinary share	13.17p	19.83p
Total return per ordinary share	13.26p	20.14p

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

² The period high and low figures relate to the six months ended 30 June 2017 and the year ended 31 December 2016

Sources: Fidelity and Datastream

Past performance is not a guide to future returns

Performance Review

Market Review

The Japanese market advanced over the review period as concerns over external policy and political risks abated, and a cyclical recovery in the global economy contributed to an improvement in domestic macro and micro level fundamentals.

Share prices started the year on a positive note amid robust global macroeconomic indicators and upbeat corporate earnings results. Expectations that the Trump administration's reflationary policies would boost US and global growth also supported gains. However, sentiment waned as mounting concerns about external political risks put upward pressure on the yen, which reached a high of around ¥136 against sterling. This uncertainty contributed to a second straight month of net selling by overseas investors in March, though corporates remained net buyers and individuals added on weakness.

Following a temporary pullback in early April, Japanese stocks rebounded strongly as concerns over political risks receded. The victory of centrist candidate Emmanuel Macron in the first round of the French Presidential election helped to ease the political uncertainty facing the eurozone, while the US Treasury Secretary's support for a stronger US dollar and the announcement of plans for tax reforms further buoyed sentiment. A subsequent reversal in the yen, which closed the period at ¥146 against sterling, and a steady flow of positive domestic economic data and upbeat earnings results supported share price

gains. Against this backdrop, overseas investors turned net buyers of Japanese stocks, a trend that continued through the second quarter.

Growth and quality stocks that exhibited solid earnings momentum generated the strongest returns over the review period, whereas value names underperformed as doubts about President Trump's reflationary policies and the outlook for commodity prices emerged. This trend was reflected at the sector level, where the strong gains in the technology and materials sectors contrasted with declines in the financials and commodity-related segments of the market. Smaller companies outpaced large caps, which were held back by the weak performance of automobile and banking stocks.

Portfolio Review

The net asset value ("NAV") of the Company increased by 10.9% in sterling terms over the six months to 30 June 2017, outperforming both the Russell Nomura Mid/Small Cap Index and the average of the Company's Peer Group, which rose 6.7% and 9.8% respectively over the same period. The discount to NAV narrowed as a result of share price performance which returned 22.2%. Core holdings in domestic-oriented sectors, such as retail and foods that displayed positive earnings momentum, were among the key drivers of the Company's outperformance.

The attribution analysis on the next page shows how the increase in NAV was achieved.

Performance Review continued

Analysis of change in NAV for six months to 30 June 2017

%

Impact of:

Reference Index (in yen terms)	+8.0
Reference Index income (in yen terms)	+1.2
Stock selection (relative to the Index)	+1.8
Gearing (in yen terms)	+2.1
Exchange rate	-1.5
Share repurchases	+0.1
Charges	-0.8

Total return for the six months to 30 June 2017

+10.9

In the retail sector, Tokyo Base, a relatively under-researched fashion apparel business, was the standout contributor to performance over the period. The speciality retailer has successfully differentiated itself in a tough market by focusing on products sourced from Japanese designers and made-in-Japan private brand goods. Its earnings results for its financial year to February 2017 exceeded its already positively revised guidance, while the acquisition of a stake in Tokyo-based fashion brand Loschild was expected to enhance its mid-term growth prospects.

Ryohin Keikaku, the operator of the MUJI brand of general merchandise stores, also reported solid full-year results. It continued to generate growth in revenue and profits, supported by its stable domestic business and overseas expansion, particularly in East Asia.

Meanwhile, shares in Tasaki & Co, a small-cap jewellery company, surged on reports of a management buyout that offered a significant premium to its current price. In the food sector, confectionery companies Morinaga and Kotobuki Spirits outperformed as they continued to post strong sales of mainstay products.

Conversely, sporting goods manufacturer Yonex was the most significant detractor from performance. Its shares fell due to concerns that rising promotion costs in China would limit near-term profit growth. However, the company has considerable scope to increase sales in Asia over the longer-term, both in terms of the high-priced bracket, where it already has a high market share, and in mid-priced products.

Kitchen appliance maker Zojirushi's operating profits fell short of market expectations and pricing trends for its products weakened. However, the expansion of Asia's middle class remains a key driver for sales of high-end rice cookers and steel bottles.

Although there have been no significant changes to the overall portfolio, the Portfolio Manager increased holdings in fast growing services companies and globally competitive technology-related names. For example, he identified attractive opportunities in the online recruitment and outsourcing sector, as well as in on-line social network games and fast fashion e-commerce. In the technology sector, the Company bought positions in beneficiaries of secular growth in

factory automation and medical equipment, as well as companies with leading global shares in electronic components. Conversely, the Company selectively sold positions in financials following their strong performance since late 2016 and the move to negative interest rates. The Portfolio Manager also reduced the exposure to other strong performers, including furniture retailer Nitori and confectionery company Morinaga.

Gearing

The Company continues to gear through the use of long contracts for difference (“CFDs”). Total portfolio exposure as at 30 June 2017 was £227.3m, equating to gearing of 23.5% compared with 24.3% at 31 December 2016.

Outlook

Global growth remains on track and the Japanese economy is expected to expand at a rate above its long-term average growth rate. The Bank of Japan remains highly accommodative and domestic consumption is gradually improving along with employment conditions. Public spending is also on the rise as stimulus measures enacted in 2016 take effect. Furthermore, indicators of manufacturing activity such as exports and production remain firm. At the micro level, consensus forecasts point towards double-digit profit growth in fiscal year 2017 and equity valuations remain supportive. On a more cautious note, a slowdown in the global economic cycle

may tilt risks to the downside, with policy changes by major central banks likely to be a key variable. External geopolitical factors, particularly concerns over North Korea, combined with heightened political uncertainty in Japan may also weigh on risk sentiment. However, on balance, we believe that the prospects for Japanese equities remain positive, and are heartened by the steadily increasing interest on the part of foreign investors.

By order of the Board

FIL Investments International

1 August 2017

Interim Management Report

Principal Risks and Uncertainties

The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key risks faced by the Company.

The Board considers that the risks and uncertainties faced by the Company fall into the following categories: market risk; performance risk; discount control risk; gearing risk; currency risk; cybercrime risk; tax and regulatory risks; and operational risks. Information on each of these risks is given in the Strategic Report section of the Annual Report for the year ended 31 December 2016 which can be found on the Company's pages of the Manager's website at www.fidelityinvestmenttrusts.com. In addition, the risk matrix is reviewed three times a year by the audit committee and reported to the Board.

Share Repurchases and Treasury Shares

Repurchases of ordinary shares either for cancellation or for holding in Treasury are made at the discretion of the Board and within guidelines set by it from time to time. Share repurchases are made in the light of prevailing market conditions, together with their impact on liquidity and gearing. Shares will only be repurchased when the Board believes the result will be an enhancement to the net asset value of the ordinary shares for the remaining shareholders.

In order to assist in managing the discount, the Board received shareholder approval at the Annual General Meeting held on 6 June 2017 to hold in Treasury any ordinary shares repurchased by the Company, rather than cancelling them. Shares held in Treasury would only be re-issued at NAV per share or at a premium to NAV per share. This would ensure that the net effect of repurchasing and then re-issuing the ordinary shares would enhance NAV per share.

In the six month reporting period to 30 June 2017, 375,000 ordinary shares were repurchased for holding in Treasury. Since 30 June 2017, and as at the date of this report, no further ordinary shares have been repurchased for cancellation or into Treasury.

Transactions with the Manager and Related Parties

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager (the "Manager") and has delegated the Company's portfolio management and company secretarial services to FIL Investments International. The transactions with the Manager and related parties are disclosed in Note 14 to the Financial Statements on page 25.

Going Concern

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio (being mainly securities which are readily realisable) and its expenditure and cash flow projections. They have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these Financial Statements.

Continuation votes are held every three years and the next continuation vote will be put to shareholders at the Annual General Meeting in 2019.

New Broker

The Board undertook a broker review in May of this year. Following this review, Stifel Nicolaus Europe Limited was appointed as the Company's sole corporate broker, with effect from 31 May 2017.

By order of the Board
FIL Investments International
1 August 2017

Directors' Responsibility Statement

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

The Directors confirm to the best of their knowledge that:

- a) the condensed set of Financial Statements contained within the Half-Yearly Report has been prepared in accordance with the Financial Reporting Council's Standard, FRS 104: Interim Financial Reporting; and
- b) the Interim Management Report, together with the Performance Review on pages 3 to 5, includes a fair review of the information required by DTR 4.2.7R and 4.2.8R.

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

The Half-Yearly Report was approved by the Board on 1 August 2017 and the above responsibility statement was signed on its behalf by David Robins, Chairman.

Twenty Largest Holdings

as at 30 June 2017

The Portfolio Exposures below show the amounts exposed to market price movements, including movements in the prices of the shares underlying the long CFDs. The Fair Value is the actual value of the portfolio on the Balance Sheet. Where a long CFD is held, the fair value reflects the profit or loss on the contract since it was opened and is based on how much the price of the underlying share has moved.

Long Exposures – shares unless otherwise stated	Portfolio Exposure £'000	Portfolio Exposure %¹	Portfolio Fair Value £'000
SoftBank Group (shares and long CFD) Provider of telecommunication services including ADSL and fibre optic internet connection	12,146	6.6	6,280
Recruit Holdings (shares and long CFD) Provider of information services and staffing services and advertising	10,634	5.8	7,677
Nippon Shinyaku (shares and long CFD) Manufacturer of pharmaceutical and health food products	8,989	4.9	7,657
M3 (shares and long CFD) Provider of medical related Internet services	8,986	4.9	2,143
Keyence (shares and long CFD) Developer and manufacturer of sensors and measuring instruments	8,471	4.6	5,865
Daikin Industries (shares and long CFD) Provider of air conditioning, chemicals, oil hydraulics, defence systems and electronics	8,412	4.6	2,132
Ryohin Keikaku Retailer and wholesaler of generic private brand consumer products	8,374	4.6	8,374
Yamaha (shares and long CFD) Manufacturer of musical instruments, audio equipment, and golf equipment	8,183	4.4	5,253
Makita (shares and long CFD) Manufacturer and wholesaler of power tools and gardening and household equipment	7,566	4.1	2,196
Suzuki Motor Manufacturer of automobiles, motorcycles and their related parts	5,434	2.9	5,434
Rinnai Manufacturer and seller of gas appliances	4,937	2.7	4,937
Sysmex Corp (shares and long CFD) Manufacturer of reagents and equipment for clinical tests	4,748	2.6	1,611

Long Exposures – shares unless otherwise stated	Portfolio Exposure £'000	Portfolio Exposure %¹	Portfolio Fair Value £'000
Nihon M&A Center (long CFD) Provider of M&A advisory services to small and medium-sized enterprises	4,719	2.6	698
Yonex Manufacturer and retailer of sporting goods	4,686	2.4	4,686
Yamaha Motor (shares and long CFD) Manufacturer of motorcycles, marine and other motorized products	4,200	2.3	1,216
Kotobuki Spirits Producer of confectionery	4,136	2.2	4,136
Shima Seiki Manufacturing Manufacturer of electronic weft, glove and sock knitting machinery	3,842	2.1	3,842
Shinoken Group Provider of property management and consulting services	3,610	2.0	3,610
MISUMI Group Mail order distributor of precision machinery parts, semi-conductors and supplies for factories, hospitals, and restaurants	3,598	2.0	3,598
Nojima Electronic equipment chain stores operator specialising in computers and communication products	3,484	1.9	3,484
Twenty largest exposures	129,155	70.2	84,829
Other long exposures	98,130	53.3	98,130
Total Portfolio Exposure²	227,285	123.5	
Total Portfolio Fair Value³			182,959
Net current assets excluding derivative instruments ⁴			1,042
Shareholders' Funds (per the Balance Sheet on page 16)			184,001

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

2 Total Portfolio Exposure comprises market exposure to shares of £175,953,000 plus market exposure to long CFDs of £51,332,000.

3 Total Portfolio Fair Value comprises shares of £175,953,000 plus long CFD derivative instrument assets of £7,223,000 less long CFD derivative instrument liabilities of £217,000 (per the Balance Sheet on page 16).

4 Net current assets excluding derivative instruments comprise debtors of £683,000 plus cash at bank of £1,264,000 less other creditors of £905,000 (per the Balance Sheet on page 16).

Gearing

as at 30 June 2017

	30 June 2017 Portfolio Exposure £'000	31 December 2016 Portfolio Exposure £'000
Shares and long CFDs		
Investments – shares	175,953	161,777
Derivative instruments – long CFDs	51,332	45,123
Total Portfolio Exposure	227,285	206,900
Shareholders' Funds	184,001	166,405
Gearing – Total Portfolio Exposure in excess of Shareholders' Funds	23.5%	24.3%

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Income Statement

		Six months ended 30 June 2017 unaudited		
	Notes	revenue £'000	capital £'000	total £'000
Gains on investments held at fair value through profit or loss		-	14,705	14,705
Gains/(losses) on derivative instruments		-	3,164	3,164
Income	4	1,475	-	1,475
Investment management fee	5	(943)	-	(943)
Other expenses		(229)	-	(229)
Foreign exchange gains		-	15	15
Net return on ordinary activities before finance costs and taxation		303	17,884	18,187
Finance costs		(57)	-	(57)
Net return on ordinary activities before taxation		246	17,884	18,130
Taxation on return on ordinary activities	6	(121)	-	(121)
Net return on ordinary activities after taxation for the period		125	17,884	18,009
Return per ordinary share	7	0.09p	13.17p	13.26p

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

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

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

revenue £'000	Six months ended 30 June 2016 unaudited		revenue £'000	Year ended 31 December 2016 audited	
	capital £'000	total £'000		capital £'000	total £'000
-	27,710	27,710	-	30,593	30,593
-	(3,913)	(3,913)	-	675	675
1,305	-	1,305	2,471	-	2,471
(633)	-	(633)	(1,597)	-	(1,597)
(250)	-	(250)	(489)	-	(489)
95	87	182	-	247	247
517	23,884	24,401	385	31,515	31,900
(40)	-	(40)	(91)	-	(91)
477	23,884	24,361	294	31,515	31,809
(103)	-	(103)	(202)	-	(202)
374	23,884	24,258	92	31,515	31,607
0.31p	19.83p	20.14p	0.07p	24.56p	24.63p

Statement of Changes in Equity

	Notes	share capital £'000
Six months ended 30 June 2017 (unaudited)		
Total shareholders' funds at 31 December 2016		34,041
Ordinary shares repurchased and held in Treasury	12	-
Net return on ordinary activities after taxation for the period		-
Total shareholders' funds at 30 June 2017		34,041
Six months ended 30 June 2016 (unaudited)		
Total shareholders' funds at 31 December 2015		28,555
Ordinary shares repurchased for cancellation	9, 11, 12	(125)
Issue of ordinary shares on the exercise of rights attached to subscription shares	9, 10	5,632
Net return on ordinary activities after taxation for the period		-
Total shareholders' funds at 30 June 2016		34,062
Year ended 31 December 2016 (audited)		
Total shareholders' funds at 31 December 2015		28,555
Ordinary shares repurchased and held in Treasury	12	-
Ordinary shares repurchased for cancellation	9, 11, 12	(146)
Issue of ordinary shares on the exercise of rights attached to subscription shares	9, 10	5,632
Net return on ordinary activities after taxation for the year		-
Total shareholders' funds at 31 December 2016		34,041

share premium account £'000	capital redemption reserve £'000	other reserve £'000	capital reserve £'000	revenue reserve £'000	total equity £'000
20,722	2,767	56,886	66,368	(14,379)	166,405
-	-	(413)	-	-	(413)
-	-	-	17,884	125	18,009
20,722	2,767	56,473	84,252	(14,254)	184,001
6,874	2,621	57,568	34,853	(14,471)	116,000
-	125	(413)	-	-	(413)
13,855	-	-	-	-	19,487
-	-	-	23,884	374	24,258
20,729	2,746	57,155	58,737	(14,097)	159,332
6,874	2,621	57,568	34,853	(14,471)	116,000
-	-	(184)	-	-	(184)
-	146	(498)	-	-	(498)
13,848	-	-	-	-	19,480
-	-	-	31,515	92	31,607
20,722	2,767	56,886	66,368	(14,379)	166,405

Balance Sheet

as at 30 June 2017

Company number 2885584

	Notes	30.06.17 unaudited £'000	31.12.16 audited £'000	30.06.16 unaudited £'000
Fixed assets				
Investments held at fair value through profit or loss	8	175,953	161,777	158,060
Current assets				
Derivative instruments	8	7,223	4,619	1,856
Debtors		683	534	1,530
Cash at bank		1,264	620	4,293
		9,170	5,773	7,679
Creditors				
Derivative instruments	8	(217)	(424)	(3,938)
Other creditors		(905)	(721)	(2,469)
		(1,122)	(1,145)	(6,407)
Net current assets				
		8,048	4,628	1,272
Net assets				
		184,001	166,405	159,332
Capital and reserves				
Share capital	9	34,041	34,041	34,062
Share premium account	10	20,722	20,722	20,729
Capital redemption reserve	11	2,767	2,767	2,746
Other reserve	12	56,473	56,886	57,155
Capital reserve		84,252	66,368	58,737
Revenue reserve		(14,254)	(14,379)	(14,097)
Total equity shareholders' funds				
		184,001	166,405	159,332
Net asset value per ordinary share				
	13	135.69p	122.37p	116.94p

Notes to the Financial Statements

1 Principal Activity

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

2 Publication of non-statutory accounts

The Financial Statements in this Half-Yearly Financial Report have not been audited by the Company's Independent Auditor and do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 (the "Act"). The financial information for the year ended 31 December 2016 is extracted from the latest published Financial Statements of the Company. Those Financial Statements were delivered to the Registrar of Companies and included the Independent Auditor's Report which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Act.

3 Basis of preparation

The Company prepares its Financial Statements on a going concern basis and in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council. The Financial Statements are also prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the Association of Investment Companies ("AIC"), in November 2014. FRS 104: Interim Financial Reporting has also been applied in preparing this condensed set of Financial Statements. The accounting policies followed are consistent with those disclosed in the Company's Annual Report and Financial Statements for the year ended 31 December 2016.

Notes to the Financial Statements continued

4 Income

	Six months ended 30.06.17 unaudited £'000	Six months ended 30.06.16 unaudited £'000	Year ended 31.12.16 audited £'000
Investment income			
Overseas dividends	1,211	1,031	2,022
Derivative income			
Dividends on long CFDs	264	274	449
Total income	1,475	1,305	2,471

5 Investment Management Fee

	Six months ended 30.06.17 unaudited £'000	Six months ended 30.06.16 unaudited £'000	Year ended 31.12.16 audited £'000
Investment management fees	943	633	1,597

FIL Investment Services (UK) Limited is the Company's Alternative Investment Fund Manager and has delegated portfolio management to FIL Investments International ("FIL"), the Investment Manager. Both companies are Fidelity group companies. FIL charges portfolio management services fees at an annual rate of 0.85% of the value of assets under management. Fees are payable quarterly in arrears and are calculated on the last business day of March, June, September and December.

6 Taxation on return on ordinary activities

The taxation charge of £121,000 (six months ended 30 June 2016: £103,000 and year ended 31 December 2016: £202,000) is irrecoverable overseas taxation suffered on dividend income.

7 Return per ordinary share

	Six months ended 30.06.17 unaudited pence	Six months ended 30.06.16 unaudited pence	Year ended 31.12.16 audited pence
Revenue return per ordinary share	0.09p	0.31p	0.07p
Capital return per ordinary share	13.17p	19.83p	24.56p
Total return per ordinary share	13.26p	20.14p	24.63p

The revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation for the period of £125,000 (six months ended 30 June 2016: £374,000 and year ended 31 December 2016: £92,000). The capital return per ordinary share is based on the net capital return on ordinary activities after taxation for the period of £17,884,000 (six months ended 30 June 2016: £23,884,000 and year ended 31 December 2016: £31,515,000). The total return per ordinary share is based on the net total return on ordinary activities after taxation for the period of £18,009,000 (six months ended 30 June 2016: £24,258,000 and year ended 31 December 2016: £31,607,000).

The returns per ordinary share are based on the weighted average number of ordinary shares in issue held outside Treasury during the period of 135,763,601 (six months ended 30 June 2016: 120,433,450 and year ended 31 December 2016: 128,319,344).

There is no dilution in the period as all the subscription share rights were exercised during the year ended 31 December 2016. There was no dilution during the six months ended 30 June 2016 and the year ended 31 December 2016 as the average ordinary share price was below the exercise price of the subscription shares.

Notes to the Financial Statements continued

8 Fair Value Hierarchy

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

Classification	Valued by reference to
Level 1	Valued using quoted prices in active markets for identical assets.
Level 2	Valued by reference to valuation techniques using observable inputs other than quoted prices included within level 1.
Level 3	Valued by reference to valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. The table below sets out the Company's fair value hierarchy:

	30 June 2017 unaudited			
	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
Financial assets at fair value through profit or loss				
Investments	175,007	-	946	175,953
Derivative instruments	-	7,223	-	7,223
	175,007	7,223	946	183,176
Financial liabilities at fair value through profit or loss				
Derivative instruments	-	(217)	-	(217)

8 Fair Value Hierarchy continued

	31 December 2016 audited			
	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
Financial assets at fair value through profit or loss				
Investments	160,819	-	958	161,777
Derivative instruments	-	4,619	-	4,619
	160,819	4,619	958	166,396

Financial liabilities at fair value through profit or loss

Derivative instruments	-	(424)	-	(424)
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	30 June 2016 unaudited			
	level 1 £'000	level 2 £'000	level 3 £'000	total £'000
Financial assets at fair value through profit or loss				
Investments	158,060	-	-	158,060
Derivative instruments	-	1,856	-	1,856
	158,060	1,856	-	159,916

Financial liabilities at fair value through profit or loss

Derivative instruments	-	(3,938)	-	(3,938)
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Notes to the Financial Statements continued

9 Share Capital

	30 June 2017 unaudited		31 December 2016 audited		30 June 2016 unaudited	
	number of shares	£'000	number of shares	£'000	number of shares	£'000
Ordinary shares of 25 pence each – issued, allotted and fully paid						
Held outside Treasury						
Beginning of the period	135,981,695	33,996	114,218,356	28,555	114,218,356	28,555
Ordinary shares repurchased and transferred into Treasury (see below)	(375,000)	(94)	(180,000)	(45)	-	-
Ordinary shares repurchased for cancellation	-	-	(584,000)	(146)	(500,000)	(125)
Issue of ordinary shares on the exercise of rights attached to subscription shares	-	-	22,527,339	5,632	22,527,339	5,632
End of the period	135,606,695	33,902	135,981,695	33,996	136,245,695	34,062
Held in Treasury						
Beginning of the period	180,000	45	-	-	-	-
Ordinary shares repurchased and held in Treasury	375,000	94	180,000	45	-	-
End of the period	555,000	139	180,000	45	-	-
Subscription shares of 0.001 pence each – issued, allotted and fully paid						
Beginning of the period	-	-	22,527,339	-	22,527,339	-
Cancellation of subscription shares on the exercise of rights	-	-	(22,527,339)	-	(22,527,339)	-
End of the period	-	-	-	-	-	-
Total share capital		34,041		34,041		34,062

9 Share Capital continued

During the period the Company repurchased 375,000 ordinary shares and held them in Treasury (year ended 31 December 2016: 180,000 and six months ended 30 June 2016: nil). Shares held in Treasury carry no rights to vote, to receive a dividend or to participate in the winding up of the Company. No ordinary shares were repurchased for cancellation during the period (year ended 31 December 2016: 584,000 and six months ended 30 June 2016: 500,000).

During the year ended 31 December 2016 the Company issued 22,527,339 ordinary shares on the exercise of rights attached to subscription shares and cancelled the same number of subscription shares (six months ended 30 June 2016: 22,527,339).

10 Share premium account

	30.06.17 unaudited £'000	31.12.16 audited £'000	30.06.16 unaudited £'000
Beginning of the period	20,722	6,874	6,874
Net proceeds of ordinary shares issued on the exercise of rights attached to subscription shares	-	13,848	13,855
End of the period	20,722	20,722	20,729

Notes to the Financial Statements continued

11 Capital redemption reserve

	30.06.17 unaudited £'000	31.12.16 audited £'000	30.06.16 unaudited £'000
Beginning of the period	2,767	2,621	2,621
Nominal value of ordinary shares repurchased for cancellation	–	146	125
End of the period	2,767	2,767	2,746

12 Other reserve

	30.06.17 unaudited £'000	31.12.16 audited £'000	30.06.16 unaudited £'000
Beginning of the period	56,886	57,568	57,568
Cost of ordinary shares repurchased and held in Treasury	(413)	(184)	–
Cost of ordinary shares repurchased for cancellation	–	(498)	(413)
End of the period	56,473	56,886	57,155

13 Net asset value per ordinary share

The net asset value per ordinary share is based on net assets of £184,001,000 (31 December 2016: £166,405,000 and 30 June 2016: £159,332,000) and on 135,606,695 (31 December 2016: 135,981,695 and 30 June 2016: 136,245,695) ordinary shares, being the number of ordinary shares in issue that are held outside Treasury at the period end. It is the Company's policy that shares held in Treasury will only be reissued at a premium to net asset value per share and, therefore, shares held in Treasury have no dilutive effect.

14 Transactions with the Manager and related parties

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

During the period fees charged by FIL for portfolio management services were £943,000 (six months ended 30 June 2016: £633,000 and year ended 31 December 2016: £1,597,000) and for non-portfolio management services were £23,000 (six months ended 30 June 2016: £23,000 and year ended 31 December 2016: £46,000). Non-portfolio management fees include company secretarial, fund accounting, taxation, promotional and corporate advisory services. At the Balance Sheet date, fees for portfolio management services of £486,000 (31 December 2016: £441,000 and 30 June 2016: £330,000) and fees for non-portfolio management services of £12,000 (31 December 2016: £12,000 and 30 June 2016: £11,000) were accrued and included in other creditors. FIL also provides the Company with marketing services. The total amount payable for these services during the period was £35,000 (six months ended 30 June 2016: £49,000 and year ended 31 December 2016: £88,000) and at the Balance Sheet date £29,000 (31 December 2016: £32,000 and 30 June 2016: £57,000) was accrued and included in other creditors.

As at 30 June 2017, the Board consisted of five non-executive Directors (as shown in the Directory on page 27), all of whom are considered to be independent by the Board. None of the Directors have a service contract with the Company. The Chairman receives an annual fee of £30,000, the Audit Committee Chairman an annual fee of £23,000 and each other Director an annual fee of £20,000. The following members of the Board hold ordinary shares in the Company: David Robins 37,000 shares, Philip Kay 12,183 shares, Sir Laurence Magnus 48,000 shares and Mami Mizutori 11,063 shares.

Shareholder Information

Investing in Fidelity Japanese Values PLC

As Fidelity Japanese Values PLC is a company listed on the London Stock Exchange, you can buy its shares through a stockbroker, share shop or bank. Fidelity also offers a range of options, so that you can invest in a way that is best for you. Details of how to invest can be found on Fidelity's website at www.fidelityinvestmenttrusts.com.

Contact Information

Existing shareholders should contact the appropriate administrator using the contact details below. This may be Capita Asset Services, the Company's Registrar, or Fidelity, or it may be another platform or administrator of your choice. Links to the websites of major platforms can be found online at www.fidelityinvestmenttrusts.com.

Holders of ordinary shares on the main share register

Capita Asset Services, Registrars to Fidelity Japanese Values PLC, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone: 0871 664 0300 (calls cost 12p per minute plus network extras. If you are outside the United Kingdom, call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 am to 5.30 pm, Monday to Friday, excluding public holidays in England and Wales).

Email: shareholderenquiries@capita.co.uk

Details of individual shareholdings and other information can also be obtained from the Registrar's website: www.signalshares.com.

Fidelity Platform Investors

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

Website: www.fidelity.co.uk/fidelityits

Private investors: call free on **0800 41 41 10**, 9.00 am to 6.00 pm, Monday to Saturday.

Financial advisers: call free on **0800 41 41 81**, 8.00 am to 6.00 pm, Monday to Friday.

General enquiries

General enquiries should be made to the Secretary, at the Company's registered office: FIL Investments International, Investment Trusts, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP. Telephone: **01732 36 11 44**. Email: investmenttrusts@fil.com

Website: www.fidelityinvestmenttrusts.com

Price Information

The Company's share price is published in the Financial Times, The Times and the Daily Telegraph. It is also available at www.fidelityinvestmenttrusts.com or by telephoning Fidelity on 0800 41 41 10 or FT Cityline on 0905 817 1690. The Reuters code for the Company is FJVL, its SEDOL is 0332855 and the ISIN number is GB0003328555.

Financial Calendar

30 June 2017	Half-Yearly period end
July/August 2017	Announcement of Half-Yearly results
August 2017	Publication of Half-Yearly report
31 December 2017	Financial year end
March/April 2018	Publication of Annual Report
May 2018	Annual General Meeting

Directory

Board of Directors

David Robins (Chairman)
Philip Kay (Senior Independent Director)
Sir Laurie Magnus (Audit Committee Chairman)
Mami Mizutori
Dominic Ziegler

Alternative Investment Fund Manager (AIFM/Manager)

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

Portfolio Manager, Secretary and Registered Office

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

Email: investmenttrusts@fil.com

Banker and Custodian

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

Depository

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

Financial Adviser and Stockbroker

Stifel Nicolaus Europe Limited
150 Cheapside
London
EC2V 6ET

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Lawyer

Charles Russell Speechlys LLP
5 Fleet Street
London
EC4M 7RD

Registrar

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

Glossary of Terms

AIF

Alternative Investment Fund. The Company is an AIF.

AIFM

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

AIFMD

The Alternative Investment Fund Managers Directive is a European Union Directive implemented on 22 July 2014.

Contract For Difference (CFD)

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

Custodian

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

Depository

An entity that oversees the custody, cash arrangements and other AIFM responsibilities of the Company. J.P. Morgan Europe Limited acts as the Company's [Depository](#).

Derivatives

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

Discount

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

Fair Value

The [fair value](#) is the best estimate of the value of the investments, including the long [contracts for difference](#), at a point in time. This is measured as:

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

Gearing

[Gearing](#) describes the level of the Company's exposure and is expressed as a percentage of [shareholders' funds](#). It reflects the amount of exposure the Company uses to invest in the

market. It can be obtained through the use of bank loans, bank overdrafts or [contracts for difference](#), in order to increase the Company's exposure to investments. If assets rise in value, [gearing](#) magnifies the return to ordinary shareholders. Correspondingly, if assets fall in value, gearing magnifies that fall. Contracts for difference are used as a way of gaining exposure to the price movements of shares without buying the underlying shares directly.

Gearing Percentage

In a simple example, if a company has £100 million of net assets and a total portfolio of £108 million, with £8 million of borrowings (either via bank loans or long [contracts for difference](#)) then the [shareholders' funds](#) are 8% geared.

Normally, the higher the [gearing percentage](#), the more sensitive the Company's shares will be to movements up and down in the value of the investment portfolio.

Investment Manager

FIL Investments International acts as the Company's [Investment Manager](#) under delegation from FIL Investment Services (UK) Limited (the AIFM).

Manager

FIL Investment Services (UK) Limited was appointed as the [Manager](#) in accordance with the Alternative Investment Fund Managers Directive (AIFMD), and has delegated, inter alia, investment management of the Company to the [Investment Manager](#).

Net Asset Value (NAV)

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

Premium

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

Reference Index

Russell Nomura Mid/Small Cap Index (in sterling terms).

Registrar

An entity that manages the Company's shareholder register. The Company's [Registrar](#) is Capita Asset Services.

Return

The [return](#) generated in a given period from the investments:

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

Share Repurchases

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

Glossary of Terms continued

Shareholders' Funds

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

Total Portfolio exposure

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

Total Return Performance

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

Treasury Shares

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



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