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FIDELITY JAPAN TRUST PLC

Annual Report for the year ended 31 December 2023



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FidelityTM
INTERNATIONAL

Objective and Overview

The Company aims to achieve long-term capital growth by investing predominantly in equities and related securities of Japanese companies.

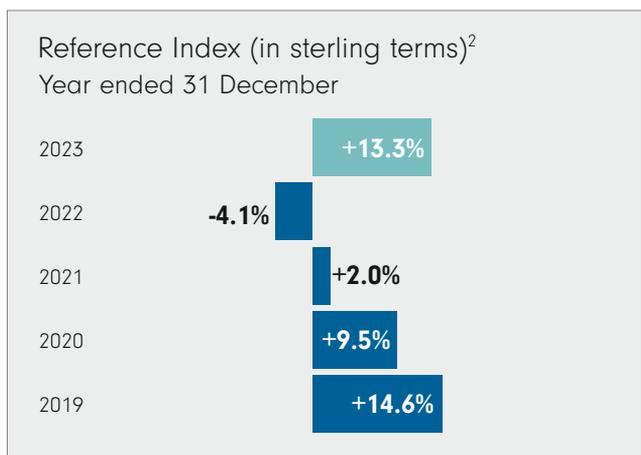
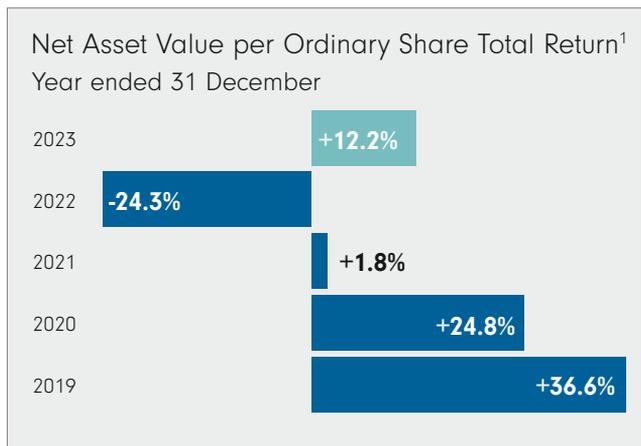
Fidelity Japan Trust PLC uses its local presence to fully exploit the investment opportunities in Japan.

The Portfolio Manager, Nicholas Price, follows a rigorous bottom-up stock selection approach, with the aim of identifying companies where the market is underestimating or mispricing future growth, and unearthing companies at an early stage of their development. This means that he typically finds more opportunities among smaller and medium-sized companies, where lower levels of analyst coverage provide greater scope for mispricing.

A unique part of the Portfolio Manager's approach is spotting signs of change, specifically in terms of fundamentals, business environment, market sentiment and valuations. Therefore, the investment team are constantly scrutinising the Company's investments, trimming outperformers and recycling into new opportunities. Ultimately, the Portfolio Manager seeks to add value through detailed research and a consistent 'growth at a reasonable price' investment approach. Fidelity's local and global proprietary research capabilities are a key pillar in the Company's investment process.

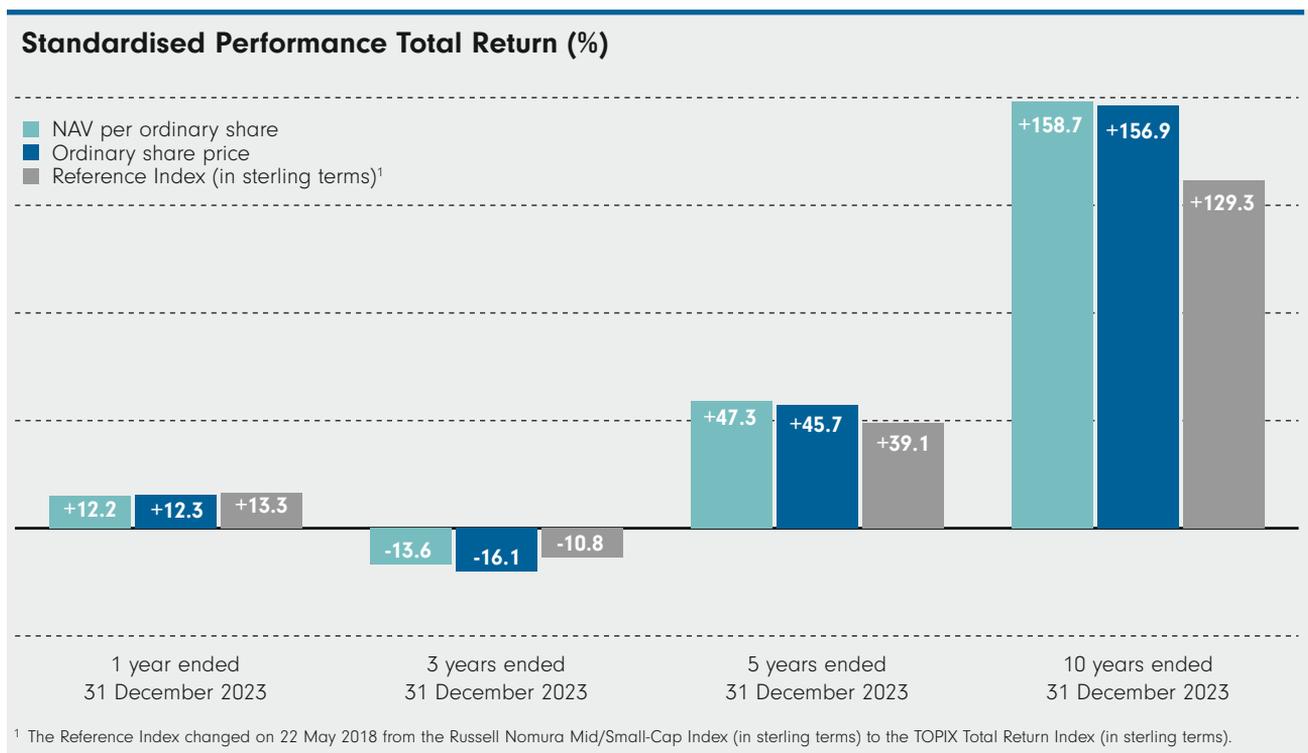


At a Glance



¹ Alternative Performance Measures. See page 79.

² The Reference Index is the TOPIX Total Return Index (in sterling terms).



¹ The Reference Index changed on 22 May 2018 from the Russell Nomura Mid/Small-Cap Index (in sterling terms) to the TOPIX Total Return Index (in sterling terms).

Summary of Results

	2023	2022
Assets at 31 December		
Total portfolio exposure ¹	£317.4m	£285.5m
Shareholders' funds	£257.8m	£236.4m
Total portfolio exposure in excess of shareholders' funds (Gearing - see page 15) ²	23.1%	20.8%
Net Asset Value (NAV) per ordinary share ²	204.46p	182.24p
Share Price and Discount data at 31 December		
Ordinary share price at the year end	185.00p	164.75p
year high	186.00p	232.50p
year low	152.50p	143.00p
Discount at the year end ²	9.5%	9.6%
year high	14.3%	13.2%
year low	6.8%	1.3%
Results for the year to 31 December - see page 58		
Revenue return per ordinary share ²	2.17p	1.46p
Capital return/(loss) per ordinary share ²	19.33p	(60.01p)
Total return/(loss) per ordinary share ²	21.50p	(58.55p)
Ongoing charges ratio for the year to 31 December ^{2,3}	0.99%	0.99%
Variable management fee credit	(0.15%)	(0.03%)
Ongoing charges ratio including variable management fee for the year to 31 December	0.84%	0.96%

¹ The total exposure of the investment portfolio, including exposure to the investments underlying the long Contracts for Difference. See page 15.

² Alternative Performance Measures.

³ Ongoing charges ratio (excluding finance costs and taxation) as a percentage of the average net asset values for the reporting year (prepared in accordance with guidance issued by the Association of Investment Companies). A definition of the ongoing charges ratio is in the Glossary of Terms on page 89.

As at 31 December 2023

Shareholders' Funds

£257.8m

Market Capitalisation

£233.3m

Capital Structure

Ordinary Shares of 25 pence held outside of Treasury

126,086,249

Summary of the key aspects of the Investment Policy

The Portfolio Manager typically focuses on those companies primarily listed on Japanese stock exchanges whose growth prospects are not fully recognised by the market ("growth at a reasonable price"). The Portfolio Manager is not restricted in terms of size or industry of the underlying entities in which he invests.

The Company can hold cash or invest in cash equivalents, including money market instruments, and is also able to use derivatives for efficient portfolio management, gearing and investment purposes.

The Portfolio Manager works within the guidelines set out in the Investment Policy.

The Company operates a variable management fee arrangement details of which is calculated by comparing performance relative to the Reference Index (in sterling terms).

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Read more on pages 02 and 03



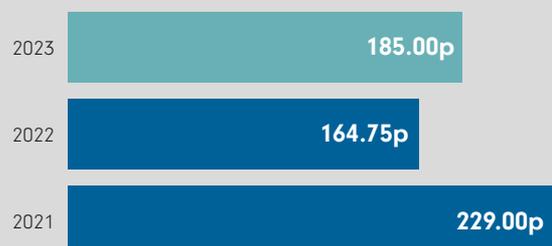
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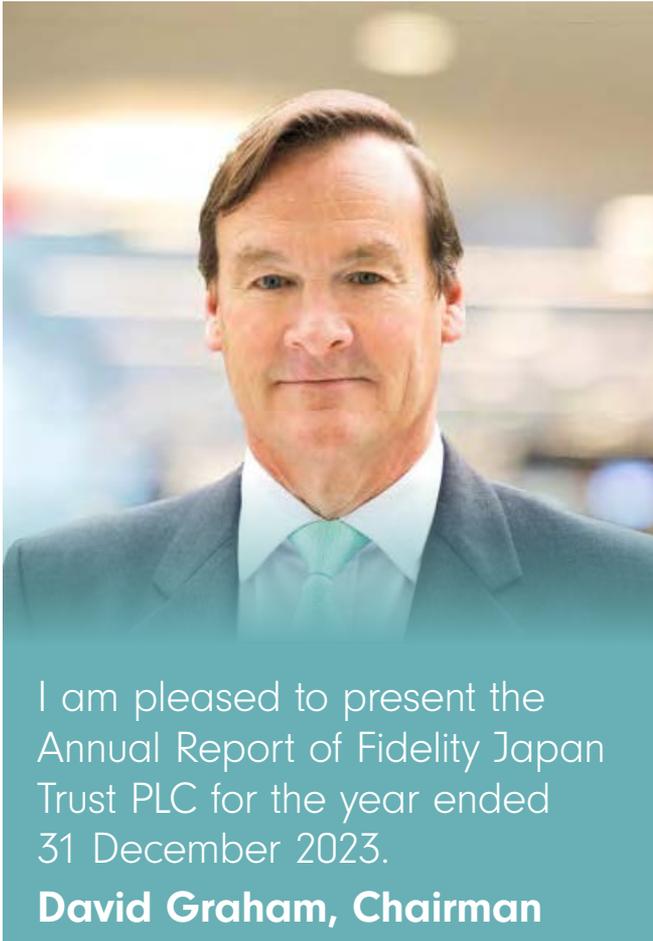
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Chairman's Statement



I am pleased to present the Annual Report of Fidelity Japan Trust PLC for the year ended 31 December 2023.

David Graham, Chairman

Performance Review

After an extremely challenging year in 2022, 2023 was much more positive for investors in Japan, with the Nikkei 225 Index surpassing levels last seen in 1990. Spurred on by corporate governance reforms increasing focus on shareholder returns, the bulk of the rally was driven by more traditional 'value' style companies, although the higher-growth businesses preferred by the Portfolio Manager, Nicholas Price, began to regain favour towards the end of the year.

In the year ended 31 December 2023, the TOPIX Index of Japanese stocks posted a return of 25.0% in yen, its best performance since 2013. However, over the same period, the Japanese yen weakened by 11.7% against sterling. As a result, the TOPIX Total Return Index (in sterling terms), the Company's Reference Index, saw its return pegged back to 13.3% for the year. The NAV and share price total returns of the Company marginally underperformed the Index, returning 12.2% and 12.3% respectively.

While the underperformance suffered in 2022 means that the Company's three-year cumulative returns are behind the Index, the longer-term results remain positive. Since Nicholas took over the management of the Company in September 2015 and up to the end of December 2023, the NAV has returned 112.5% against the Index Return of 95.5%. The share price returned 127.3% over the same period.

Discount Management, Share Repurchases and Treasury Shares

The primary purpose of the Board's discount management policy is to reduce discount volatility. We will continue to aim to limit the share price discount to single figures in normal market conditions through share repurchases. However, we have witnessed periods when the discount has remained stubbornly high despite a steady share repurchase programme. In a year in which investment trust discounts widened significantly across the board, the discount at which the Company's shares traded was broadly stable, beginning the reporting year at 9.6% and ending it at 9.5% having briefly peaked at 14.3% and narrowing from 10.9% at the half-year end. 3,615,644 ordinary shares were repurchased for holding in Treasury over the year, at a cost of £6,276,000. This represents 2.7% of the issued share capital. Subsequent to the year end and up to the latest practicable date of this report, the Company has repurchased a further 3,351,529 ordinary shares at a cost of £6,029,000.

At the forthcoming Annual General Meeting (AGM) on 22 May 2024, the Board is seeking to renew the annual authority to repurchase up to 14.99% of the Company's shares, to be either cancelled or held in Treasury, as it has done each year previously.

A sustained reduction in the discount of the Company is only likely if there is a significant increase in investor interest in Japan. We may see this after the Japanese market has reached a new record high and if it continues its current trajectory. Meanwhile, the Board and the Manager will continue their efforts to raise the Company's profile and promote the investment opportunities in the Japanese market.

Ongoing Charges Ratio

The ongoing charges ratio for the year, including the variable element, is 0.84% (2022: 0.96%). This comprises a fixed charge of 0.99% (2022: 0.99%) and a variable credit of 0.15% (2022: credit of 0.03%). The variable management fee credit is due to the Company's underperformance in comparison to its Reference Index on a three-year rolling basis.

Gearing

The ability to gear is an important advantage of the investment trust structure, and the Board believes that the Company's use of long Contracts for Difference (CFDs) to achieve its gearing is a differentiating factor. CFDs are generally cheaper than borrowing through traditional bank debt and they also provide greater flexibility. The use of CFDs had a positive impact and contributed +6.3% to the NAV total return in the year under review.

The Portfolio Manager has the discretion to be up to 25% geared. Based on total portfolio exposure at the end of the year of £317.4m, the level of gearing was 23.1% compared with 20.8% at the end of 2022. Further information can be found on pages 25 and 26 of the Strategic Report. As at 22 March 2024, gearing was 22.0%.

Unlisted Companies

Over the past few years, there have been an increasing number of opportunities for the Manager to invest in certain companies before they list on the Tokyo Stock Exchange. This follows a global trend of companies wishing to remain private for longer. While there is authority from shareholders for the Company to invest up to 20% of its assets in unlisted companies, it is the Board's view that, given the current lacklustre IPO market in Japan, it is prudent to limit the proportion held in unlisted companies to a maximum of 10% at the time of any further investment. The actual exposure to unlisted holdings at the end of the year was 6.3% of the net assets (2022: 8.0%). During the year, one unlisted position was redeemed via a repurchase plan and one new position was added to the portfolio, leaving the total number of unlisted holdings at seven.

Twice yearly, the Audit Committee meets specifically to review the unlisted investments together with Fidelity's Fair Value Committee, Fidelity's unlisted Asian investments specialist and representatives of Kroll, the independent valuation specialists.

Further details can be found in the Portfolio Manager's Review on pages 6 and 7 and also on pages 17 to 19.

Due Diligence Trip

As detailed in the report for the half-year ended 30 June 2023, the Board was pleased to undertake a due diligence trip to Japan last June. As well as spending time with the investment team, we had meetings with senior management and a number of Fidelity's analysts, external market commentators, and the management teams of some of the companies held in the Company's portfolio. The trip helped to reinforce our confidence in the strength and depth of the team in Japan responsible for the management of the Fidelity Japan Trust PLC.

Board Changes

As also mentioned in the Half-Yearly Report, Dominic Ziegler will retire from the Board at the conclusion of the Company's AGM on 22 May 2024, having served as a non-executive Director for nine years since November 2014. We thank him for his excellent service and valuable insights on Japan and East Asia.

In September 2023, we announced that Seiichi Fukuyama would join the Board as a non-executive Director with effect from 1 March 2024. Seiichi brings strong relevant experience gained in the asset management business, having been President of BlackRock Japan before becoming Chairman of Standard Life Investment in Asia from 2010 until 2018.

Seiichi will stand for election at the forthcoming AGM, when all the other Directors, apart from Dominic, are subject to annual re-election. Biographical details of all Directors are included on page 34 to assist shareholders when considering their voting at the AGM.

Annual General Meeting (AGM)

Once again, we will be holding a 'hybrid' AGM, allowing attendance and voting in real time online as well as in person. The AGM is a valuable opportunity for us as a Board to engage with shareholders. Nicholas Price will be making a presentation, considering the year under review and outlining the opportunities

in the market and prospects for the year ahead. The Board and Nicholas will be very happy to answer questions from shareholders attending both in person and virtually. Japanese refreshments will be served to attendees, and we look forward to seeing many of you there.

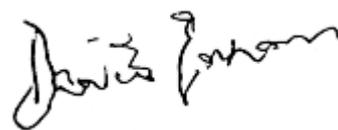
More details of the AGM are set out on page 80 and in the Notice of Meeting on pages 81 to 84.

Outlook

The market rally which commenced in 2023 and continued into 2024 has been driven by large-cap value stocks, leaving many of the higher growth medium and smaller-sized companies held by the Company underperforming the overall market. We share the Portfolio Manager's view that there is significant scope for a rerating of these businesses which now look undervalued.

Foreign investors are taking renewed interest in Japan, encouraged by the extensive Corporate Governance reforms currently being promoted by the Tokyo Stock Exchange (TSE). In addition, Japan's central bank raised its benchmark interest rate on 19 March 2024 to a range of 0 to 0.1% for the first time in 17 years, ending a longstanding policy of negative rates in order to boost the economy. This may result in the strengthening of the yen. Investor disillusionment with China has also fuelled a renewed interest in Japan from foreign investors and there are positive signs that Japanese investors, partially encouraged by tax incentives, are returning to the stock market.

The Nikkei Dow Jones 225 Index closed at a new record high level on 5 March 2024 having taken 34 years to regain this level. The broader TSE Index is still a little behind its record high of that era. It is hoped that the current market momentum will continue, and with it, the market focus will alight on the stocks in the portfolio which are showing good earnings growth and compelling valuations. We are confident that the Fidelity team in Japan, with their disciplined, research-driven investment process, will return to delivering strong investment returns for shareholders.



David Graham
Chairman
26 March 2024

Portfolio Manager's Review



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

Question

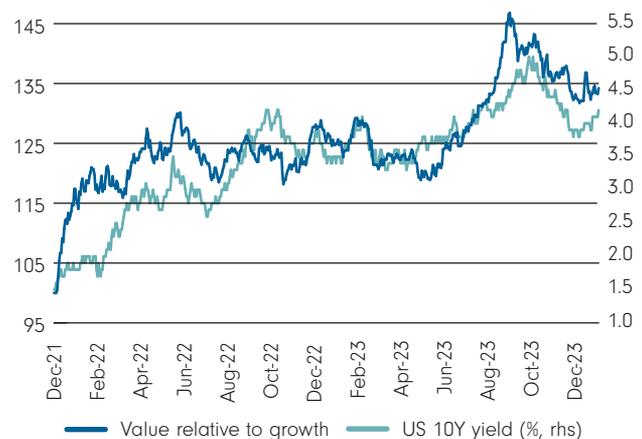
The year under review continued to be challenging for growth-oriented equity strategies. Why is that and what were the key drivers of the Japanese stock market?

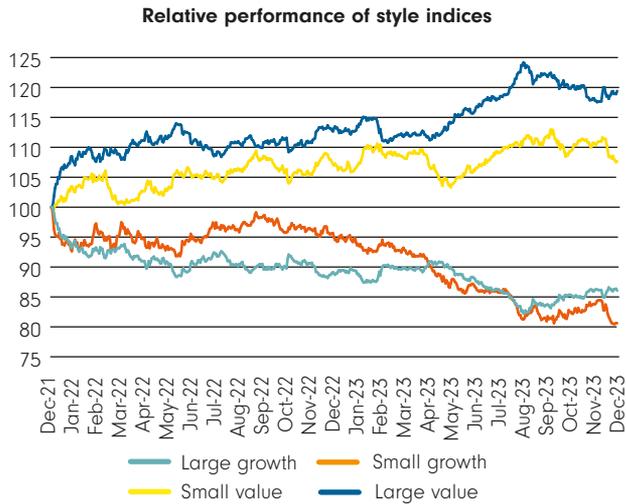
Answer

Japanese stocks gained markedly in 2023, with key indices registering their strongest annual returns since 2013. Overseas investors played a key role in the market's ascent, encouraged by Japan's shift to a moderately inflationary environment and initiatives implemented by the Tokyo Stock Exchange (TSE) to enhance corporate value. An accommodative policy stance by the Bank of Japan (BoJ) and a weaker yen also supported the positive trend in share prices. Japan's currency came under broad-based pressure amid sustained monetary policy divergence with other major central banks, closing the year at an eight-year low of ¥180 against sterling.

While the Japanese market recorded historical gains, 2023 was a year of significant style divergence. The US bond yield cycle and accompanying currency trends exerted a sizeable impact on style returns, with strong gains in large-cap value stocks contrasting with the far more muted performance of small-cap growth names. These trends continued to generate headwinds for growth-oriented strategies, particularly during periods of sharp rises in long-term interest rates.

Performance of value vs growth stocks & US 10-year Treasury yield





Source: Refinitiv DataStream as of 24 January 2024.

In this environment, stocks with low price-to-earnings and low price-to-book multiples, and those with high dividend yields generated the strongest returns. At a sector level, commodity-related segments, led by Iron & Steel, Maritime Transportation, Wholesale Trade and Mining, were among the year's strongest performers. Automobiles benefited from a recovery in production and a weaker yen, while expectations for a bottoming of the semiconductor cycle drove gains in related stocks. Financials benefited from rising interest rates in the US and Japan but relinquished a measure of their gains in the final quarter when government bond yields retreated in line with waning expectations for further rate hikes. Defensive sectors were relative laggards globally and Pharmaceuticals was the only sector in Japan to generate a negative return in the 2023 calendar year.

Question

How has the Company performed in the year to 31 December 2023? What were the key contributors and detractors?

Answer

The Company's NAV per ordinary share rose by 12.2% in sterling terms and the share price gained by 12.3%. In comparison, the Reference Index rose by 13.3%. The discount narrowed very slightly to 9.5% from 9.6% a year ago. Over five and ten year periods, the Company outperformed the Reference Index and most of its peers.

The Company's holding in **Osaka Soda** was among the standout contributors to performance. It reported above-consensus earnings results, spurred by favourable pricing and strong sales of silica gel, a material used in the purification of pharmaceuticals including diabetes drugs. Profitability is steadily increasing as the company transitions from basic chemicals to functional chemicals under its Global Niche Top (GNT) strategy. Positions in semiconductor-related stocks also added value. Shares in semiconductor production equipment (SPE) maker **Tokyo Electron** rebounded strongly as the market shifted its

focus from the earnings downside in 2023 to a recovery from 2024. **Tokyo Electron** is a highly competitive player in a structural growth market, supported by sustained semiconductor demand, technological advances in chip making and government support amid rising geopolitical tensions. Meanwhile, fabless semiconductor manufacturer **Socionext** reported strong full-year results that exceeded street estimates, driven by automotive-related orders in the US and data centre/network sales in China. Furthermore, development efficiency gains contributed to an improvement in margins. In the Retail sector, the holding in **Ryohin Keikaku** outperformed. The operator of the MUJI brand of general merchandise stores reported better than expected annual results, underpinned by its strong overseas business, while its forward guidance was also supported by improving margins in Japan. The MUJI brand remains strong and is expected to return to a medium to long-term growth path through store openings in Japan and overseas, as well as through enhancements to its product management system and product capabilities.

Conversely, the Company's position in **MISUMI Group** was the most significant detractor from performance over the year. Shares in the supplier of factory automation components fell as adverse business conditions and a delayed recovery in the order cycle produced a slew of near-term earnings downgrades. However, leading indicators, such as machine tool orders, are close to a trough and we expect earnings to recover in 2024. In the Services sector, **Nihon M&A Center Holdings**, Japan's largest provider of merger and acquisition (M&A) advisory services for small and medium enterprises (SMEs), underperformed. At the start of the year, the company's quarterly results came in far below market expectations due to a deterioration in sales efficiency and weaker pricing of M&A deals. The emergence of innovative new entrants posed a threat to its business model, and we sold the position. **Rakusl**, a leading business-to-business (B2B) platformer that provides online printing and marketing/sales support services, faced selling pressure. The stock faced profit taking in early 2023 as the market rotated in favour of technology-related cyclicals. We remain confident in its core e-commerce (EC) printing business which is recovering strongly as the effects of the Covid-19 pandemic recede and the number of registered users continues to grow. We also see the potential for growth in the logistics industry. **Kamakura Shinsho**, a funeral service platformer, reported solid annual results amid a post-pandemic recovery, but the stock faced style headwinds and some concerns about rising costs associated with the development of new operations, such as inheritance services and nursing. However, we retain a positive view of its core businesses, and most of its new segments are already profitable.

The ten highest stock contributors and detractors to the NAV total return on a relative basis are shown on page 9.

Question

How has the Company's portfolio changed over the period?

Answer

The Chemicals, Services and Retail sectors remained among the largest positions in the Company, reflecting holdings in niche materials companies, unique service providers and speciality retailers that are executing well in Japan and overseas. The scale of the active

Portfolio Manager's Review continued

position in the Chemicals sector increased notably over the year, primarily reflecting a higher weighting in **Osaka Soda** (6.4% at the end of 2023 versus 2.6% a year ago), as well as strong gains in the company's share price. Meanwhile, there was no significant change in the key underweight sector positions (Transportation Equipment, Pharmaceuticals and Banks) in the portfolio.

As a result of bottom-up stock selection, active exposure to the Electric Appliances sector has increased. Factory automation and semiconductor-related companies have had to deal with a prolonged inventory correction that was exacerbated by the weak recovery in China. However, leading indicators such as machine tool orders are bottoming out and there are signs of a gradual pickup in demand. **MISUMI Group** and **Tokyo Electron** remain key active positions in the Company. We increased the allocation to **Harmonic Drive Systems**, a leading maker of precision reduction gears used in the production of small industrial robots and semiconductor equipment. Elsewhere, we increased the exposure to electronic components maker **Taiyo Yuden**, a leading producer of high-end ceramic capacitors for automotive and smartphone applications.

On the other hand, we sold positions in **Rinnai**, a producer of high-quality home gas appliances which is facing problems in housing/real estate markets overseas, and **Tsuburaya Fields**, a digital content and game machine company that reached our target price following a period of strong share price performance. We also took some profits in strong performers in the technology sector, including **Tokyo Electron** and **Socionext**, and recycled the proceeds into new stocks.

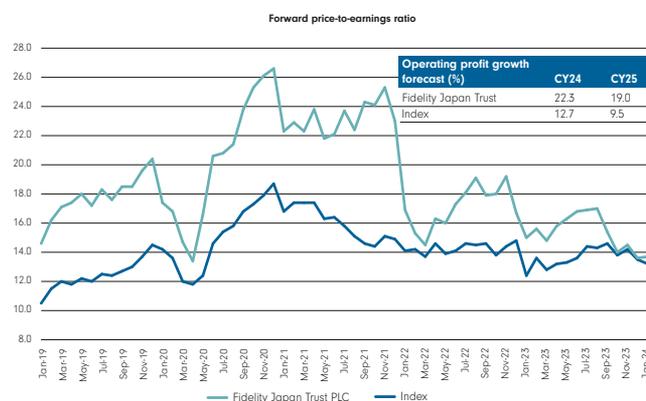
Question

How do you view the valuations in the market and for the overall portfolio?

Answer

Overall, we are focusing on growth at reasonable price and holding companies that are trading at or close to market multiples even as they offer consistent mid-term growth. We are also focusing on contrarian growth names – stocks that are disliked by the market but where we see catalysts for change.

Many of the Japanese companies that we are looking at trade at a discount versus their overseas peers, and there are a lot of opportunities where improvements in corporate governance are driving higher returns on equity. Many growth stocks now trade on sub-market multiples despite higher rates of earnings growth and higher returns.



This trend is apparent at the portfolio level, with the forward price-to-earnings ratio now at a comparable level to the Reference Index (see chart above). This is very unusual as it typically trades at a premium to the market, given the higher growth rates and Return on Equity (RoE) of the underlying companies, and is indicative of a level of potential upside.

As a natural profit taker, I aim to trim into strength and recycle into new names to keep the portfolio fresh and have new ideas competing with existing holdings. In 2023, portfolio turnover was at around 64% compared to a three-year average of 79%. Looking at the top 20 active names, which account for around 70% of the portfolio, 14 stocks remained in place (when comparing end of December 2022 versus December 2023).

Question

What are your current thoughts on gearing? And what impact has it had on returns during the year?

Answer

The level of gearing closed the year at 23.1% (versus 20.8% at the end of 2022). If we see a sustained uptrend in Japanese stocks, then I would be inclined to reduce the level of gearing employed. However, I am happy with where market valuations currently stand, and the leverage is deployed in stable growth companies rather than high beta names. So, overall, I am comfortable with the Company's current gearing positioning.

Over the course of 2023, the gearing position had a positive impact on returns, notably through the exposure to semiconductor production equipment maker Tokyo Electron and speciality retailer Ryohin Keikaku.

Question

How has the Company's exposure to unlisted companies changed during the year under review?

Answer

At the end of the review period, seven unlisted names were held, representing 6.3% of the portfolio. Although the total number of positions remained the same, the composition of the holdings changed somewhat.

The Company's shares in **Innophys**, a developer of exoskeleton support suits, were redeemed via a repurchase plan executed at the end of March. The company failed to fully execute on its business plan for wearable muscle suits. Given the uncertain outlook for the market and competitive landscape, we first wrote down the asset and then exited it in a trade sale to a corporate.

In October, we initiated a position in **GO Inc**, the top ride-hailing company in Japan. **GO** has a significant lead over competitors in terms of access to taxis. This creates strong and lasting competitive advantages in the ride-hailing industry which is still in the early stages of digitalisation. **GO** has delivered robust growth in its core ride-hailing business since its inception in 2020,

and revenue per ride has steadily increased through greater monetisation. It also has steady cash generating businesses such as advertising that subsidise its high-growth segments, a factor that enhances its overall financial profile.

As always, we continue to evaluate new opportunities, while maintaining a disciplined approach towards valuations.

Question

Environmental, social and governance (ESG) themes are very topical among investors. Could you explain your approach to ESG and how you integrate it into your portfolio?

Answer

Sustainability and ESG related factors are incorporated into the Fidelity wide investment process. Assessing which companies can grow sustainably over the mid-term and enhance the efficiency of other corporates and their supply chains is a key part of my portfolio construction that in turn will enhance their financial performance. By working closely with our Head of Engagement in Tokyo and maintaining an active dialogue with investee companies, we continually aim to improve the sustainability of their businesses. That in turn will enhance their performance.

Although Japanese companies generally have lower sustainability scores than their European counterparts, we believe this is not due to any fundamental differences in strategy but more to do with cultural factors around disclosure practices and language. By working closely with the Fidelity sustainable investing team in Tokyo, we can identify companies which are implementing real change and moving up the governance scale. As these companies improve disclosure, their ESG ratings should catch up and the market should adjust valuations accordingly. This creates an opportunity for investors to benefit from the adjustment.

Question

Could you outline specific examples where engagement has resulted in positive outcomes?

Answer

SWCC, a wire and cable producer, is a good example of how ESG considerations, particularly 'G' in this instance, can factor into valuations. We engaged the company's executives in discussing their efforts to increase shareholder value and improve capital efficiency, thereby addressing **SWCC's** low price-to-book valuation. Although returns on equity have been improving, we explained that the company needed to reorganise its business portfolio to ensure further sustainability and convey its strategy more clearly to the market to ensure that its growth potential is fully appreciated. At its most recent financial results meeting, the company presented its business strategy approach to improving its price-to-book ratio in the same format that we had explained

during our meeting with them. In addition, management laid out specific measures for improving each business unit and announced a share buyback. That was proof of their confidence in their ability to improve profitability and it led to a significant rise in the company's share price.

We engaged with **Raksul's** new CEO to confirm the company's new compensation structure. While the CEO's minimum holding period for equity compensation is one year, which is in conflict with our voting guideline of three years, we appreciated that the new structure would encourage shareholder-oriented management by replacing a significant portion of a cash salary with equity compensation. The strong relationship that we have developed with **Raksul's** new President since his previous tenure as CFO, and a significant improvement in sustainability in response to our previous engagements, indicate that the Board is functioning effectively. Given these factors, we believe that the risk of directors, including the new president, intentionally selling their shares for immediate gain is extremely limited. We, therefore, voted in favour of the company's new compensation structure.

Question

How do you evaluate the corporate changes being driven by the Tokyo Stock Exchange's (TSE) initiatives?

Answer

A long-awaited reform effort to boost capital efficiency in Japan's stock market started to gain traction, with the TSE issuing guidance promoting the requirement of a price-to-book ratio above one, among other measures, to improve capital efficiency.

Traditionally, Japanese companies have notoriously sat on excess cash piles, thus tending to limit investor returns. But that is changing. From the first quarter of 2023, the TSE required most listed firms, especially those trading below book value, to "properly identify" their cost and efficiency of capital.

In a panel discussion organised by the TSE in 2022, Fidelity International highlighted the issue of inefficiency and pointed out that about half of Japan's listed firms were trading below book value. The TSE included our views in select feedback published in both Japanese and English on its website.

The TSE's latest reform measures represent a bold step forward which has helped to bolster investor confidence. While these measures are encouraging, we think it is even more important to introduce incentives for companies to pursue sustainable growth. With wider reforms and quicker steps, we believe many more Japanese firms could unlock their value and the country's stock market would attract greater inflows of foreign capital.

Portfolio Manager's Review continued

Question

What are your expectations for monetary policy and what impact could a change by the Bank of Japan have on the yen?

Answer

With the rate hike cycle in the US peaking out and the Bank of Japan terminating its negative interest rate policy, there is scope for the yen to strengthen somewhat. However, demand in the Japanese economy is not that tight and I do not expect the Bank of Japan to pursue further significant tightening. Governor Ueda has already stated that monetary policy will remain accommodative and a key focus point once negative rates are ended will be forward guidance about the path of future hikes.

I generally do not take a strong view on the yen, and currency forecasts do not play an active role in my bottom-up investment process. While individual holdings with a high ratio of overseas sales may at times benefit from a weaker yen, the overall portfolio has tended to be relatively currency neutral versus the Reference Index. This is because of a consistent focus on mid/small caps, which typically generate the bulk of their revenues at home.

Question

What do you view as the biggest risks for the next twelve months?

Answer

The most significant risks are still around inflation and how interest rates can impact market valuations and levels. Continued signs of weakness in China's recovery and a slowdown in America also represent potential headwinds that could prompt a near-term adjustment in Japanese stocks. Additional shocks from energy prices, driven by an escalation in geopolitical events, remain a risk factor that we are closely monitoring.

Question

What should investors be focusing on as we move through 2024?

Answer

On the macroeconomic side, the Bank of Japan has ended its negative interest rate policy and the loosening of interest rates by the US Federal Reserve, could drive yen strength in the second half of the year. The domestic economy is doing quite well, and companies are investing in digitalisation and reshoring in the technology space, especially across the semiconductor industry. China is likely to see an uneven recovery, though there are opportunities among associated companies that underperformed last year.

Tentative signs of improvement in the global manufacturing cycle are supportive of technology and factory automation related stocks held by the Company. As the machine tool cycle bottoms out, early cyclicals typically perform strongly at the start of the recovery. We also expect to see a strong semiconductor cycle, spurred by greater needs for artificial intelligence (AI), the Internet of Things (IoT), smartphone AI and developments in edge computing. This is creating opportunities in niche materials and component makers that offer attractive levels of potential upside. Political change in the US is a potential risk factor, as it could lead to greater protectionism, which could hurt Japan and particularly exporters.

Labour supply shortages in Japan will continue to underpin inflationary pressures and a successive year of successful wage hikes, potentially leading to growth in real wages, would have positive implications for consumer facing sectors.

Corporate governance improvements, such as sustained efforts by companies that trade below book value to rectify their situation, an acceleration in the unwinding of cross-shareholdings, and further progress in the restructuring of business portfolios, can enhance the outlook for returns on capital in Japan. Last year, most of the activity came from companies that trade below 1x book. However, as TSE-led governance reforms are broadening out across the market and through our engagements we are seeing higher valuation companies and mid-caps become more active in terms of shareholder returns. After a year of significant style headwinds, this broadening of corporate change should be conducive to a more balanced market environment in Japan.

A reversion of the interest rate cycle in the US is generally conducive to better performance by growth stocks, an area of the Japanese market where we are seeing a lot of undervaluation. From a technical perspective, the recent market rally in Japan has been concentrated in a small number of large-cap names that are collectively looking overbought and investor interest is likely to move down the market cap scale. In particular, mid/small caps that are overlooked or under appreciated by the market and are trading on reasonable valuations offer a source of differentiated returns for the Company. All of these factors combined will, we believe, be supportive of a reversion in growth stocks.

Nicholas Price

Portfolio Manager
26 March 2024

Attribution Analysis

Analysis of NAV total return for the year ended 31 December 2023		%
Impact of:		
Index		+13.3%
Stock Selection*		-0.2%
Share Repurchases		+0.3%
Expenses		-0.9%
Impact of holding Cash		-0.3%
NAV total return for the year ended 31 December 2023		+12.2%

* This includes the impact of gearing as a result of using CFDs for gaining exposure to certain stocks.

Ten Highest Contributors (on a relative basis)

Company and Sector	Portfolio Average Weight %	Index Average Weight %	Contribution to Performance %
Osaka Soda (Chemicals)	+4.0	0.0	+3.5
Tokyo Electron (Electric Appliances)	+5.2	+1.3	+2.6
Ryohin Keikaku (Retail Trade)	+5.1	+0.1	+1.9
Socionext (Electric Appliances)	+1.3	+0.1	+1.0
NOF (Chemicals)	+6.2	+0.1	+0.9
Kosaido Holdings (Other Products)	+1.3	0.0	+0.8
Riken Keiki (Precision Instruments)	+2.6	0.0	+0.7
C.Uyemura (Chemicals)	+1.5	0.0	+0.7
Oriental Land (Services)	+4.5	+0.9	+0.7
RORZE (Machinery)	+0.7	0.0	+0.5

Ten Highest Detractors (on a relative basis)

Company and Sector	Portfolio Average Weight %	Index Average Weight %	Contribution to Performance %
MISUMI Group (Wholesale Trade)	+5.9	+0.2	-2.1
Nihon M&A Center Holdings (Services)	+1.0	+0.1	-1.4
Rakusl (Information & Communication)	+1.6	0.0	-1.0
Kamakura Shinsho (Services)	+1.0	0.0	-0.9
Asoview (Unlisted)	+2.5	0.0	-0.9
Taiyo Yuden (Electric Appliances)	+2.0	+0.1	-0.8
Yoriso (Unlisted)	+0.8	0.0	-0.8
Nextone (Services)	+0.4	0.0	-0.7
m-up (Information & Communication)	+1.1	0.0	-0.7
Toyota Motor (Transportation Equipment)	0.0	+3.9	-0.6

Source: Fidelity.

Spotlight on the Top 10 Holdings

as at 31 December 2023

(based on Portfolio Exposure expressed as a percentage of Shareholders' Funds)



Osaka Soda

Industry: Chemicals (Portfolio Exposure: 6.4%)

Osaka Soda is a chemicals company that has transformed its business portfolio from highly cyclical commodity products to more specialised and niche products. Since 2010, Osaka Soda has expanded its healthcare business and has established a dominant market position in purification materials that are key to the production of GLP-1 and insulin drugs. With GLP-1 drugs expanding into obesity treatments, it is well positioned to meet the rapid demand growth from global pharmaceuticals companies. Finally, its net cash balance sheet offers scope for higher shareholder returns.



Ryohin Keikaku

Industry: Retail Trade (Portfolio Exposure: 5.8%)

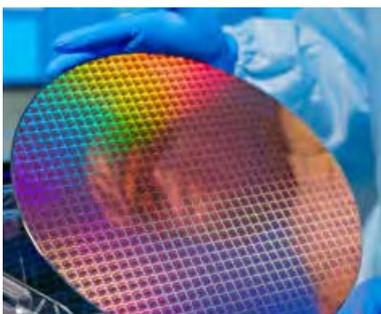
Ryohin Keikaku operates the MUJI brand of general merchandise stores, with seven of these based in the UK. After temporarily sluggish sales coinciding with incurring upfront costs, results have bottomed out last year and earnings are now on track to recovery. The MUJI brand remains strong, and we expect earnings to grow, supported by accelerating store expansions in Japan and China.



NOF

Industry: Chemicals (Portfolio Exposure: 5.4%)

NOF is a diversified chemicals manufacturer with a dominant position in several niche markets, resulting in stable growth and high profitability. Its core businesses include surfactants (key components for toiletries and cosmetics) and drug delivery system (DDS) products, which ensure a drug's active ingredient is delivered and absorbed safely in the correct part of the body. NOF has also positively improved its disclosure and adopted policies and targets on both financial and sustainability aspects.



Tokyo Electron

Industry: Electric Appliances (Portfolio Exposure: 4.8%)

Tokyo Electron is one of the world's leading semiconductor production equipment (SPE) makers, with competitive strengths in wafer fabrication equipment (WFE). It specialises in front-end processing equipment and commands a high market share in its key products, including etchers and coater-developers. Overall, the semiconductor market has been stabilising/entering an upcycle, and the company can deliver strong earnings growth for 2024 and 2025.



MISUMI Group

Industry: Electric Appliances (Portfolio Exposure: 4.4%)

MISUMI Group manufactures and distributes factory automation and metal die components. The company is unique for its QCT model, which aims to deliver high quality (Q) at low cost (C) with reliable, quick delivery times (T). With a vast portfolio of over 30 million products, the company is the leading component provider to support the global manufacturing industry. As global manufacturing activities recover, Misumi Group can deliver sustainable growth over the long-term.



Oriental Land

Industry: Services (Portfolio Exposure: 4.4%)

Oriental Land is an operator of theme parks, Tokyo Disney Land, Tokyo Disney Sea and other resort hotels. It is expected to deliver strong revenues and profits as a result of higher visitor traffic as well as a rise in spending by its guests. Additionally, the new “Fantasy Springs” expansion within Tokyo Disney Sea planned in 2023, will boost the company’s mid-term earnings growth.



Keyence

Industry: Electric Appliances (Portfolio Exposure: 4.1%)

Keyence is a leading supplier of sensors, measuring systems, laser markers, microscopes and machine vision systems worldwide. Keyence stands as a beacon of innovation and excellence in the realm of industrial automation. Renowned for its commitment to cutting-edge technology, Keyence is not simply selling products but providing solutions that solve clients’ problems in the everyday manufacturing process. The company’s presence in major markets worldwide allows it to tap into diversified industries, mitigate industry cyclicality and deliver long-term sustainable growth and high profitability.



Harmonic Drive Systems

Industry: Machinery (Portfolio Exposure: 3.7%)

Harmonic Drive Systems is a leading manufacturer of precision reduction gears utilised in diversified end markets, such as robots and semiconductor production equipment. The industrial robotics market is supported by powerful drivers and high barriers to entry, underpinned by manufacturing know-how, established relationships with major robot makers, and a focus on R&D. This all contributes to the company’s high global market share. New orders are a key driver for the stock and following a period of inventory adjustment, there are signs of a bottoming out in the key robotics market.



Mitsui High-tec

Industry: Electric Appliances (Portfolio Exposure: 3.3%)

Mitsui High-tec has two main business units: motor cores and lead frames in chip packages. Both units cater chiefly to the automotive industry. In motor cores the firm leads not only in Japan; it also has a global market share of around 40%. Motor cores are a key component of power trains used in EVs, hybrid cars and hydrogen fuel-cell vehicles. Mitsui High-tec is noted for its strengths in ultra-precision machining and tooling and it has ridden an electrification wave. The company is expanding its motor-core capacity (the mid-term plan calls for an annual 20% increase) and it has large capex plans—signalling confidence in its order book and in winning new business from carmakers.



Riken Keiki

Industry: Precision Instruments (Portfolio Exposure: 3.2%)

Riken Keiki is a leading producer of industrial gas detection and alarm equipment, and has strong links with customers in the electronics and semiconductor industries. Top line growth and especially sales of new equipment are key given the recurring revenues that come from the maintenance and replacement of gas detection equipment. Increasing investment in semiconductor and lithium-ion battery plants in Japan and overseas is expected to drive future demand.

Portfolio Listing

as at 31 December 2023

The Portfolio Exposures shown below and on pages 13 to 15 measure exposure to market price movements as a result of owning shares and derivative instruments. The Fair Value is the actual value of the portfolio and is the value shown on the Balance Sheet. Where a Contract for Difference (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 share price of the underlying share has moved. Where the Company only holds shares, the Fair Value and the Portfolio Exposure will be the same.

Company	Sector	Fair Value £'000	2023		2022	
			Portfolio Exposure £'000	% ¹	Portfolio Exposure £'000	% ¹
Exposures – shares unless otherwise stated						
Osaka Soda	Chemicals	16,523	16,523	6.4	6,128	2.6
Ryohin Keikaku (shares and long CFD)	Retail Trade	2,999	15,069	5.8	10,775	4.6
NOF (shares and long CFD)	Chemicals	5,208	13,859	5.4	16,166	6.8
Tokyo Electron (long CFD)	Electric Appliances	145	12,353	4.8	12,279	5.2
MISUMI Group (shares and long CFDs)	Wholesale Trade	6,168	11,436	4.4	14,286	6.0
Oriental Land (long CFD)	Services	(48)	11,352	4.4	6,450	2.7
Keyence (long CFD)	Electric Appliances	(5)	10,601	4.1	9,238	3.9
Harmonic Drive Systems	Machinery	9,451	9,451	3.7	4,738	2.0
Mitsui High-tec	Electric Appliances	8,430	8,430	3.3	6,939	2.9
Riken Keiki	Precision Instruments	8,178	8,178	3.2	5,492	2.3
Ten largest exposures (2022: £98,123,000 representing portfolio exposure of 41.4%)		57,049	117,252	45.5		
Mizuho Financial Group	Banks	7,594	7,594	3.0	-	-
Kansai Paint	Chemicals	7,222	7,222	2.8	5,202	2.2
Nojima	Retail Trade	6,258	6,258	2.4	5,307	2.2
Kosaido Holdings	Other Products	6,257	6,257	2.4	522	0.2
Taiyo Yuden (shares and long CFD)	Electric Appliances	3,811	5,966	2.3	923	0.4
Asoview	Unlisted	5,740	5,740	2.2	6,872	2.9
C. Uyemura	Chemicals	5,318	5,318	2.1	2,311	1.0
Yonex	Other Products	4,747	4,747	1.8	2,370	1.0
Rorze	Machinery	4,712	4,712	1.8	758	0.3
Kotobuki Spirits	Foods	4,582	4,582	1.8	5,983	2.5
KeePer Technical Laboratory	Services	4,341	4,341	1.7	-	-
Descente	Textiles & Apparels	4,224	4,224	1.6	4,442	1.9
Shin-Etsu Chemical	Chemicals	4,148	4,148	1.6	234	0.1
Central Automotive Products	Wholesale Trade	3,687	3,687	1.4	2,445	1.0
Sumitomo Mitsui Financial Group	Banks	3,686	3,686	1.4	-	-
Raksul	Information & Communication	3,654	3,654	1.4	5,187	2.2
Giftee	Information & Communication	3,631	3,631	1.4	3,607	1.5

Company	Sector	Fair Value £'000	2023		2022	
			Portfolio Exposure £'000	% ¹	Portfolio Exposure £'000	% ¹
Lasertec	Electric Appliances	3,473	3,473	1.3	-	-
Maruwa	Glass & Ceramics Products	3,236	3,236	1.3	-	-
ORIX	Other Financing Business	3,127	3,127	1.2	-	-
Tokyo Seimitsu	Precision Instruments	2,974	2,974	1.2	-	-
Fast Retailing	Retail Trade	2,805	2,805	1.1	3,282	1.4
Plus Alpha Consulting	Information & Communication	2,786	2,786	1.1	2,765	1.2
GEO Holdings	Retail Trade	2,520	2,520	1.0	-	-
Information Services International-Dentsu	Information & Communication	2,492	2,492	1.0	1,166	0.5
GO Inc	Unlisted	2,487	2,487	1.0	-	-
m-up	Information & Communication	2,406	2,406	0.9	3,416	1.5
Renesas Electronics	Electric Appliances	2,395	2,395	0.9	-	-
Sunwels	Services	2,326	2,326	0.9	2,790	1.2
Shibaura Electronics	Electric Appliances	2,295	2,295	0.9	2,300	1.0
PILOT	Other Products	2,281	2,281	0.9	3,287	1.4
SWCC	Nonferrous Metals	2,266	2,266	0.9	1,607	0.7
Enplas	Electric Appliances	2,259	2,259	0.9	-	-
Inforich	Services	2,203	2,203	0.9	-	-
Ibiden	Electric Appliances	2,194	2,194	0.9	-	-
iYell	Unlisted	2,189	2,189	0.8	2,469	1.0
SMC	Machinery	2,188	2,188	0.8	-	-
Studyplus	Unlisted	2,110	2,110	0.8	2,402	1.0
Sumitomo Forestry	Construction	2,110	2,110	0.8	-	-
Sanrio	Wholesale Trade	2,053	2,053	0.8	-	-
Rohto Pharmaceutical	Pharmaceutical	2,023	2,023	0.8	2,346	1.0
Sony	Electric Appliances	1,906	1,906	0.7	-	-
Moneytree	Unlisted	1,832	1,832	0.7	2,564	1.1
SEMITEC	Electric Appliances	1,777	1,777	0.7	2,220	0.9
Sanwa Holdings	Metal Products	1,767	1,767	0.7	-	-
Kansai Electric Power	Electric Power & Gas	1,741	1,741	0.7	-	-
Management Solutions	Services	1,736	1,736	0.7	1,900	0.8
Suzuki Motor	Transportation Equipment	1,697	1,697	0.7	869	0.4
Modec	Machinery	1,669	1,669	0.6	-	-

Portfolio Listing continued

Company	Sector	Fair Value £'000	2023		2022	
			Portfolio Exposure £'000	% ¹	Portfolio Exposure £'000	% ¹
Toyo Tanso	Glass & Ceramics Products	1,632	1,632	0.6	-	-
Simplex Holdings	Information & Communication	1,630	1,630	0.6	1,167	0.5
Credit Saison	Other Financing Business	1,618	1,618	0.6	-	-
Proto	Information & Communication	1,615	1,615	0.6	1,648	0.7
Kyushu Electric Power	Electric Power & Gas	1,537	1,537	0.6	-	-
AirTrip	Services	1,532	1,532	0.6	577	0.2
DIP	Services	1,521	1,521	0.6	3,640	1.5
Techno Smart	Machinery	1,515	1,515	0.6	1,306	0.6
A&D Holon Holdings	Precision Instruments	1,508	1,508	0.6	-	-
Tokyotokeiba	Services	1,477	1,477	0.6	-	-
Hirano Tecseed	Machinery	1,307	1,307	0.5	1,863	0.8
AZ-Com Maruwa Holdings	Land Transportation	1,292	1,292	0.5	-	-
JustSystems	Information & Communication	1,288	1,288	0.5	4,200	1.8
Anycolor	Information & Communication	1,285	1,285	0.5	-	-
ABC-Mart	Retail Trade	1,272	1,272	0.5	5,802	2.5
Kamakura Shinsho	Services	1,243	1,243	0.5	3,279	1.4
Photosynth	Information & Communication	1,240	1,240	0.5	949	0.4
Appier Group	Information & Communication	1,234	1,234	0.5	-	-
Daiichi Kosho	Wholesale Trade	1,214	1,214	0.5	1,373	0.6
RS Technologies	Metal Products	1,186	1,186	0.5	1,632	0.7
Toyo Tire	Rubber Products	1,052	1,052	0.4	-	-
Yoriso	Unlisted	1,034	1,034	0.4	2,516	1.1
Recruit Holdings	Services	1,017	1,017	0.4	5	-
Spiber	Unlisted	1,011	1,011	0.4	1,823	0.8
Okamoto Industries	Rubber Products	899	899	0.3	-	-
Kuraray	Chemicals	856	856	0.3	-	-
Integral	Securities & Commodity Futures	845	845	0.3	-	-
Lifenet Insurance	Insurance	734	734	0.3	-	-
Hoya	Precision Instruments	685	685	0.3	-	-
Bengo4.com	Services	682	682	0.3	-	-
Pasona Group	Services	663	663	0.3	-	-

Company	Sector	Fair Value £'000	2023		2022	
			Portfolio Exposure £'000	% ¹	Portfolio Exposure £'000	% ¹
Tamron	Precision Instruments	628	628	0.2	-	-
Tsugami	Machinery	460	460	0.2	-	-
Toyo Gosei	Chemicals	450	450	0.2	499	0.2
Daifuku	Machinery	432	432	0.2	-	-
Nissui	Fishing, Agriculture, & Forestry	384	384	0.1	-	-
GL Sciences	Precision Instruments	273	273	0.1	280	0.1
Ultrafabrics Holdings	Chemicals	186	186	0.1	601	0.3
Nippon Road	Construction	152	152	0.1	-	-
Saizeriya	Retail Trade	101	101	-	-	-
Central Glass	Chemicals	89	89	-	667	0.3
unerry	Information & Communication	89	89	-	-	-
Yaskawa Electric	Electric Appliances	79	79	-	1,386	0.6
TRYT	Services	52	52	-	-	-
Panasonic	Electric Appliances	23	23	-	-	-
Total Portfolio (including long CFDs)		255,006	317,364	123.1		

Fair Value and Portfolio Exposure of Investments as at 31 December 2023

	Fair Value £'000	2023		2022	
		Portfolio Exposure £'000	% ¹	Portfolio Exposure £'000	% ¹
Investments (Note 9 - see pages 68 and 69)	253,843	253,843	98.5	230,680	97.6
Derivative instrument assets - long CFDs (Note 10 - see page 69)	1,216	41,568	16.1	24,704	10.4
Derivative instrument liabilities - long CFDs (Note 10 - see page 69)	(53)	21,953	8.5	30,162	12.8
Total Portfolio (including long CFDs)	255,006	317,364	123.1	285,546	120.8
Shareholders' Funds		257,793		236,372	
Gearing²			23.1%	20.8%	

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

2 Gearing is the amount by which the Portfolio Exposure exceeds Shareholders' Funds expressed as a percentage of Shareholders' Funds.

Distribution of the Portfolio

as at 31 December 2023

The table below details the Distribution of the Portfolio based on Portfolio Exposure which measures the exposure of the portfolio to market price movements as a result of owning shares and derivatives instruments.

Sector	2023 ¹ Total %	2023 ² Index %	2022 ¹ Total %
Electric Appliances	20.8	17.5	16.4
Chemicals	18.9	6.2	13.8
Services	11.9	5.0	13.6
Retail Trade	10.8	4.3	11.8
Information & Communication	9.0	7.7	16.3
Machinery	8.4	5.3	6.0
Wholesale Trade	7.1	7.0	9.8
Unlisted	6.3	-	8.0
Precision Instruments	5.6	2.4	3.7
Other Products	5.1	2.4	5.3
Banks	4.4	6.9	1.7
Glass & Ceramics Products	1.9	0.7	-
Foods	1.8	3.4	5.1
Other Financing Business	1.8	1.1	-
Textiles & Apparels	1.6	0.4	1.9
Electric Power & Gas	1.3	1.4	-
Metal Products	1.2	0.5	4.0
Nonferrous Metals	0.9	0.7	0.9
Construction	0.9	2.1	-
Pharmaceutical	0.8	4.6	2.1
Transportation Equipment	0.7	8.2	0.4
Rubber Products	0.7	0.7	-
Land Transportation	0.5	2.8	-
Insurance	0.3	2.4	-
Securities & Commodity Futures	0.3	0.8	-
Fishery, Agriculture & Forestry	0.1	0.1	-
Real Estate	-	2.0	-
Iron & Steel	-	1.0	-
Marine Transportation	-	0.8	-
Air Transportation	-	0.5	-
Oil & Coal Products	-	0.5	-
Mining	-	0.3	-
Pulp & Paper	-	0.2	-
Warehousing & Harbor Transportation Services	-	0.1	-
	123.1	100.0	120.8

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

² TOPIX Total Return Index (in sterling terms), the Company's Reference Index.

Unlisted Investments

The Company has shareholder authority to invest up to 20% of its assets in securities which are not listed on any stock exchange or traded on the Jasdaq market. However, for the time being, it will be limited to a maximum of 10% at the time of any further investment. The Directors believe that the ability to invest in unlisted securities is a differentiating factor for the Company and can be a source of additional investment performance. It allows the Portfolio Manager to take advantage of the growth trajectory of early-stage companies before they potentially become listed on the Jasdaq market. This can offer good opportunities for patient and long-term investors.

During the reporting year, the Company's shares in Innophys were redeemed via a repurchase plan and a new investment was made in Go Inc, the number one ride hailing company in Japan.

At the year end, the Company had seven unlisted investments representing 6.3% of net assets (2022: 8.0% of net assets).

Overview of the Unlisted Investments Valuation Process

Unlisted investments in the Company's portfolio are held at fair value, which is defined as the value that would be paid for a holding in an open-market transaction. The Manager's Fair Value Committee (FVC), which is independent of the Portfolio Manager, provides recommended fair values to the Directors.

Twice yearly, ahead of the Company's interim and its year end, the Company's Audit Committee receives a detailed presentation from the FVC, Fidelity's unlisted investments specialist and Kroll (independent third party valuers), in order to satisfy itself that the unlisted investments are carried at an appropriate value in accordance with Accounting Policy Note 2 (j) on page 63 at the balance sheet date. The external Auditor attends the unlisted valuations meeting ahead of the Company's year end.

The work completed by the Audit Committee on the unlisted investments is set out in its report on page 49.

Workings of the Fair Value Committee

The valuation of each unlisted investment is set by the Manager's FVC and includes input from the analysts covering the securities, Fidelity's unlisted investments specialist and also advised upon by the independent third-party valuers, Kroll.

Kroll, as independent valuers, undertake a detailed review of each of the unlisted investments on a quarterly basis. The Board is provided with the quarterly updates from the FVC, which includes recommendations from the analysts' and Fidelity's unlisted investments specialist, enabling the Board to have oversight of and to have confidence in Fidelity's process. Outside of the normal quarterly cycle, the unlisted investments are monitored daily for trigger events such as funding rounds or news of fundamentals which may require the FVC to adjust the valuation price as soon as the Fidelity analyst has been consulted. In addition to this, the unlisted investments are monitored on a weekly basis within a comparable movement model. If the average movement of the selected proxies is +/- 15%, a revaluation of the relevant investment is considered.

Unlisted Investments continued

Unlisted investments in the Company's portfolio as at 31 December 2023 (based on Portfolio Exposure expressed as a percentage of Shareholders' Funds).



Asoview

(Purchased: December 2021) (Portfolio Exposure: 2.2%)

Asoview is an online platform that provides booking services for tours, attractions and activities/experiences. It is also Japan's largest leisure B2B marketplace for travel agents. Asoview is in partnership with more than 10,000 businesses nationwide and in 2023 its cumulative number of members exceeded ten million. While Japan's tourism and leisure industry continues to grow, it is facing rising costs and labour shortages. Through the provision of DX solutions for travel and leisure businesses, Asoview is helping to drive operational efficiencies and provide high-quality services to consumers. By using consumers' behavioural data, it can effectively forecast demand and manage ticket inventory.



GO Inc

(Purchased: November 2023) (Portfolio Exposure: 1.0%)

GO Inc is the number one ride hailing company in Japan. It has a significant lead over competitors in terms of access to taxis. This creates strong and lasting competitive advantages in the ride hailing industry, which is still in the early stages of digitalisation. GO has delivered robust growth in its core ride hailing business since its inception in 2020, and revenue per ride has steadily increased as it has rolled out additional charges to improve its monetisation. It also has steady cash generating businesses such as advertising that subsidise its high-growth segments, a factor that enhances its overall financial profile.



iYell

(Purchased: December 2021) (Portfolio Exposure: 0.8%)

iYell is a mortgage broker Fintech start-up company that uses the power of technology to support the mortgage loan process. It operates Japan's No.1 cloud-based mortgage platform, which helps to drive business efficiencies for financial institutions and real estate companies, and effectively source the optimum mortgage for consumers. In Japan, the real estate and mortgage industries suffer from low labour productivity and iYell is promoting the digital conversion of analogue procedures and operations.



Studyplus

(Purchased: June 2022) (Portfolio Exposure: 0.8%)

Studyplus operates Japan's leading learning management platform for high school students and associated services for educational institutions. The Studyplus app helps students to stay motivated by visualising their learning records and enabling them to connect with friends who are pursuing the same study goals via Social Networking Services (SNS). It also utilises its proprietary cluster data to drive advertisement revenue. Through Studyplus for School, the company provides a learning management platform with various functions to monitor and appraise students' progress.



Moneytree

(Purchased: April 2020) (Portfolio Exposure: 0.7%)

Moneytree is an asset management app for individuals that enables them to manage multiple financial services (bank accounts, credit cards, investments, e-money, etc.) in one convenient place and provides a cloud-based account book to simplify household finances. In the corporate sector, Moneytree LINK is an industry-leading data platform that supports business innovation through the use of financial data and links with application programming interfaces (APIs) to generate efficiencies and create new business models. It also provides digital dashboards for small to medium-sized enterprises (SMEs) that simplify accounting procedures.



Yoriso

(Purchased: July 2021) (Portfolio Exposure: 0.4%)

Yoriso is an online funeral planning platform that provides comprehensive end-of-life services that aim to ease people's anxieties through the use of technology. The company offers a one-stop solution for funerals, memorial services, Buddhist altars and inheritance planning. At Yoriso Cloud, it also provides cloud-based services for funeral companies through the digitalisation of obituary information. Demographic trends and the rising penetration of online contracts are driving growth in the funeral market, and the company's comprehensive offering and mass marketing strategy are strengthening its standing.



Spiber

(Purchased: September 2021) (Portfolio Exposure: 0.4%)

Spiber manufactures Brewed Protein materials. Fibres, films and other types of materials are manufactured through the fermentation of plant-based ingredients. This new class of material is created using Spiber's proprietary technology platform that enables customised designs and molecular engineering of nature-inspired protein polymers. These materials offer alternative solutions to a wide range of conventional animal-based and synthetic materials for various purposes, including textiles applications for the apparel industry.

ESG in the Investment Process at Fidelity International

Fidelity International (“Fidelity”) has embedded Environmental, Social and Governance (“ESG”) factors in its investment decision making for a number of years. Fidelity has been a signatory to the United Nations Principles for Responsible Investment (UNPRI) since 2012 and submits an annual report detailing how it incorporates ESG into its investment analysis. As a founding signatory to the Net Zero Asset Managers Initiative, Fidelity has committed to halving the carbon footprint of its investment portfolios by 2030, from a 2020 baseline, starting with equity and corporate bond holdings; and to reach net zero for holdings by 2050.

ESG integration at Fidelity is carried out at the fundamental research analyst level within its investment teams, primarily through the implementation of the Fidelity Proprietary Sustainability Rating. This rating was established in 2019 and is designed to generate a forward-looking and holistic assessment of a company’s ESG risks and opportunities, based on sector specific key performance indicators across 127 individual and unique sub-sectors. A breakdown of the ratings of the companies in the portfolio using MSCI and Fidelity’s own proprietary ratings is on page 22. In addition, Fidelity’s portfolio managers are also involved in analysing the effects of ESG factors when making investment decisions. ESG analysis complements financial analysis to provide a complete view of every company that is researched and monitored.

Fidelity’s approach to integrating ESG factors into its investment analysis includes the following activities:

- In-depth research
- Company engagement
- Active ownership
- Collaboration within the investment industry

In addition to Fidelity’s Sustainability Ratings, Fidelity has developed a proprietary Climate Rating, which is an important part of its plans to reach net zero emissions across its portfolios. It utilises its fundamental research capabilities to identify climate related risks, net zero investments and targets for transition engagement within the Fidelity investment universe. It assesses which companies are in the best position to transition to net zero, or have a positive trajectory towards transition. The Climate Rating is designed to complement the broader Sustainability Ratings, which score companies across a range of environmental, social and governance criteria.

Although Fidelity’s analysts have overall responsibility for analysing the environmental, social and governance performance of the companies in which it invests, Fidelity has a dedicated Sustainable Investing Team working closely with the investment teams and is responsible for consolidating Fidelity’s approach to stewardship, engagement, including thematic engagement, ESG integration and the exercise of its votes at general meetings.

The Sustainable Investing Team has a key role in assisting the investment teams with ESG integration which includes:

- Implementing Fidelity’s proxy voting guidelines.
- Engagement with investee companies on ESG issues, utilising Fidelity’s corporate access research capabilities and investment scale to improve corporate behaviour, including at company meetings.
- Working closely with the investment team globally across all asset classes in integrating ESG into analysis and decision-making.
- Providing internal ESG reporting including analyst reports, portfolio manager reviews and industry analysis.
- Co-ordinating and responding to specific client queries on ESG topics.
- Publishing client reporting on ESG integration and proxy voting.
- Maintaining a thorough understanding of current ESG themes and trends around the world.
- Attending external seminars and conferences focusing on trending ESG issues and ESG integration.
- Providing ESG training to the investment team and across the business.

During 2021, Fidelity introduced its sustainable investing voting principles and guidelines. These seek to provide a clear overview of Fidelity’s voting approach, promote improved corporate behaviours and reduce risk, include environmental and social factors, increase clarity of votes to issuers and clients and meet current market best practices and stewardship expectations. Examples of the policy include voting against companies not meeting key criteria on climate change and against management in developed markets with less than 30% female representation at board level.

Fidelity’s investment approach involves bottom-up research. As well as studying financial results, the portfolio managers and analysts carry out additional qualitative analysis of potential investments. They examine the business, customers and suppliers and visit the companies in person to develop a view of every company in which Fidelity invests. ESG factors are embedded in this research process.

Examples of ESG factors that Fidelity’s investment teams may consider as part of its company and industry analysis include:

- Corporate governance (e.g. Board structure, executive remuneration).
- Shareholder rights (e.g. election of directors, capital amendments).
- Changes to regulation (e.g. greenhouse gas emissions restrictions, governance codes).
- Physical threats (e.g. extreme weather, climate change, water shortages).

- Brand and reputational issues (e.g. poor health and safety record, cyber security breaches).
- Supply chain management (e.g. increase in fatalities, lost time injury rates, labour relations).
- Work practices (e.g. observation of health, safety and human rights provisions and compliance with the provisions of the Modern Slavery Act).

Fidelity operates analyst training and development programmes which include modules on ESG themes, topics and strategies and attendance at external seminars on the trending ESG issues in the market globally as well as conferences to explore new ways of integrating ESG into the investment process across all asset classes.

Fidelity uses a number of external research sources around the world that provide ESG-themed reports and it subscribes to an external ESG research provider and rating agency to supplement its organic analysis. Fidelity receives reports that

include company specific and industry specific research as well as ad hoc thematic research looking at particular topics. The ESG ratings are industry specific and are calculated relative to industry peers and Fidelity uses these ratings in conjunction with its wider analysis. Fidelity's sources of ESG research are reviewed on a regular basis.

The ESG ratings and associated company reports are included on Fidelity's centralised research management system. This is an integrated desktop database, so that each analyst has a first-hand view of how each company under their coverage is rated according to ESG factors. In addition, ESG ratings are included in the analyst research notes which are published internally and form part of the investment decision. The external research vendor also provides controversy alerts which include information on companies within its coverage which have been identified to have been involved in a high-risk controversy that may have a material impact on the company's business or its reputation.

Fidelity International – Setting standards for its business

Sustainability built from the ground up

We apply similar KPIs to our own business that we use for the companies in which we invest. And we expect to improve upon our own ESG standards, just as we would expect from others.

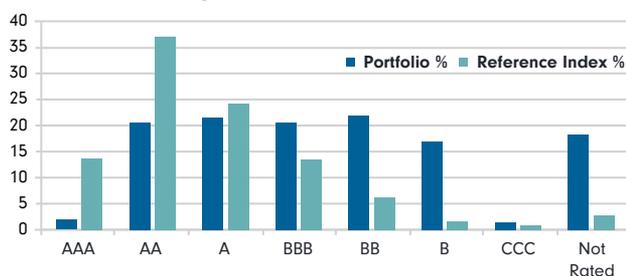


ESG Ratings and Carbon Footprint

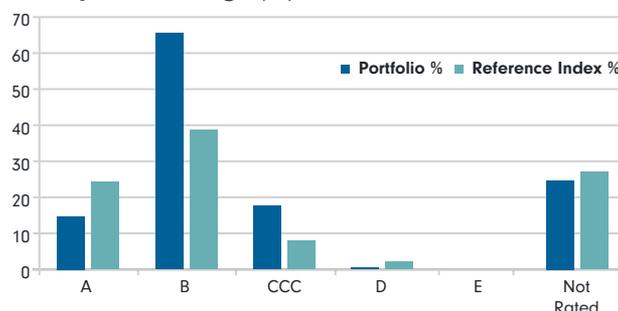
ESG and Carbon Emissions Assessment

The first two charts below show a breakdown of the underlying stocks in Fidelity Japan Trust PLC’s portfolio using MSCI and Fidelity’s own ESG ratings. It is encouraging that Fidelity’s ESG ratings, which are more forward-looking in nature, show a greater proportion of the portfolio in higher rated stocks than when rated by MSCI, whose approach focuses more on consideration and analysis of historic disclosures made by the company it rates. As can be seen from the left hand chart, the Company has a larger percentage of unrated companies. This is because MSCI covers the larger-cap companies whereas the Company has several small and mid-cap exposures that are given formal ESG coverage by Fidelity sooner than by MSCI. It is anticipated that as disclosures improve, the efforts of Japanese companies to address ESG concerns are likely to become more widely recognised, leading to higher ESG scores and more investor capital.

MSCI ESG Ratings (%)

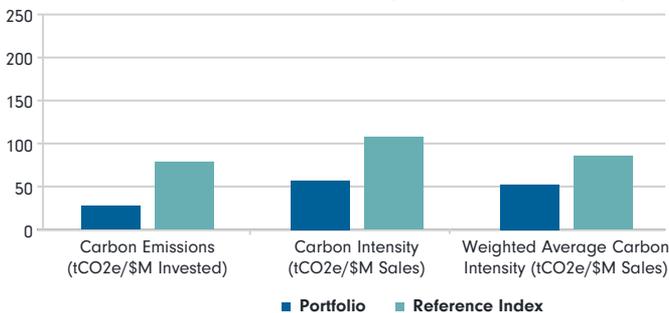


Fidelity ESG Ratings (%)



The chart below demonstrates that the Company’s portfolio has a significantly lower carbon footprint than that of the Reference Index (TOPIX).

ESG Relative Carbon Footprint (tCO2/\$M invested)



Carbon Emissions: Provides a normalised snapshot of the scope 1 and scope 2 carbon emissions of all of the investments in the Company’s portfolio measured in tons CO2e/\$M invested.

Carbon Intensity: The amount of carbon by weight emitted per unit of energy consumed.

Weighted Average Carbon Intensity: Measures the weighted average carbon emissions per unit of revenue of each investment in the Company’s portfolio. This metric provides a snapshot of the Company’s exposure to carbon intensive companies and includes scope 1 and scope 2 carbon emissions.

Carbon Data Source: Data provided by ISS ESG. All rights in the information provided by Institutional Shareholder Services Inc. and its affiliates (ISS) reside with ISS and/or its licensors. ISS makes no express or implied warranties of any kind and shall have no liability for any errors, omissions or interruptions in or in connection with any data provided by ISS.

Sources: MSCI ESG Research, ISS ESG and Fidelity International as at 31 December 2023. Portfolio = Fidelity Japan Trust PLC. Reference Index = TOPIX.

Ten Year Record

For the year ended 31 December	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Assets										
Total portfolio exposure (£m) ¹	317.4	285.5	380.4	381.3	295.4	216.0	264.1	206.9	135.3	113.5
Shareholders' funds (£m)	257.8	236.4	312.7	308.8	252.5	187.5	222.5	166.4 ²	116.0	92.9
NAV per ordinary share (p) ³	204.46	182.24	240.73	236.53	189.55	138.77	164.10	122.37	101.56	81.48
Gearing										
Gearing (%) ³	23.1	20.8	21.6	23.5	17.0	15.2	18.7	24.3	16.6	22.2
Share Price and Discount data										
Ordinary share price (p)	185.00	164.75	229.00	220.50	177.00	127.00	151.50	101.50	86.75	72.00
Discount to NAV % ³	9.5	9.6	4.9	6.8	6.6	8.5	7.7	17.1	14.6	11.6
Revenue										
Revenue return/(loss) per ordinary share (p) ³	2.17	1.46	1.61	1.56	0.29	(0.07)	(0.22)	0.07	(0.14)	(0.45)
Ongoing Charges Ratio										
Ongoing charges ratio (excluding variable management fee) (%) ³	0.99	0.99	0.90	0.94	0.98	1.10	1.31	1.46	1.52	1.62
Variable management fee (credit)/charge (%)	(0.15)	(0.03)	0.20	0.10	(0.15)	(0.04)	n/a	n/a	n/a	n/a
Ongoing charges ratio (including variable management fee) (%) ³	0.84	0.96	1.10	1.04	0.83	1.06	1.31	1.46	1.52	1.62
Performance Total Returns										
NAV per ordinary share (%) ³	+12.2	-24.3	+1.8	+24.8	+36.6	-15.4	+34.1	+20.5	+24.6	+3.1
Ordinary share price (%) ³	+12.3	-28.1	+3.9	+24.6	+39.4	-16.2	+49.3	+17.0	+20.5	0.0
Reference Index (in sterling terms) (%) ⁴	+13.3	-4.1	+2.0	+9.5	+14.6	-8.3	+17.5	+22.0	+19.4	+5.1

- 1 The total exposure of the investment portfolio, including exposure to the investments underlying the long CFDs.
- 2 The issue of ordinary shares from the exercise of subscription share rights contributed £19.5 million to the increase in shareholders' funds.
- 3 Alternative Performance Measures.
- 4 The Reference Index changed on 22 May 2018 from the Russell Nomura Mid/Small-Cap Index (in sterling terms) to the TOPIX Total Return Index (in sterling terms).

Sources: Fidelity and Datastream.
Past performance is not a guide to future returns.

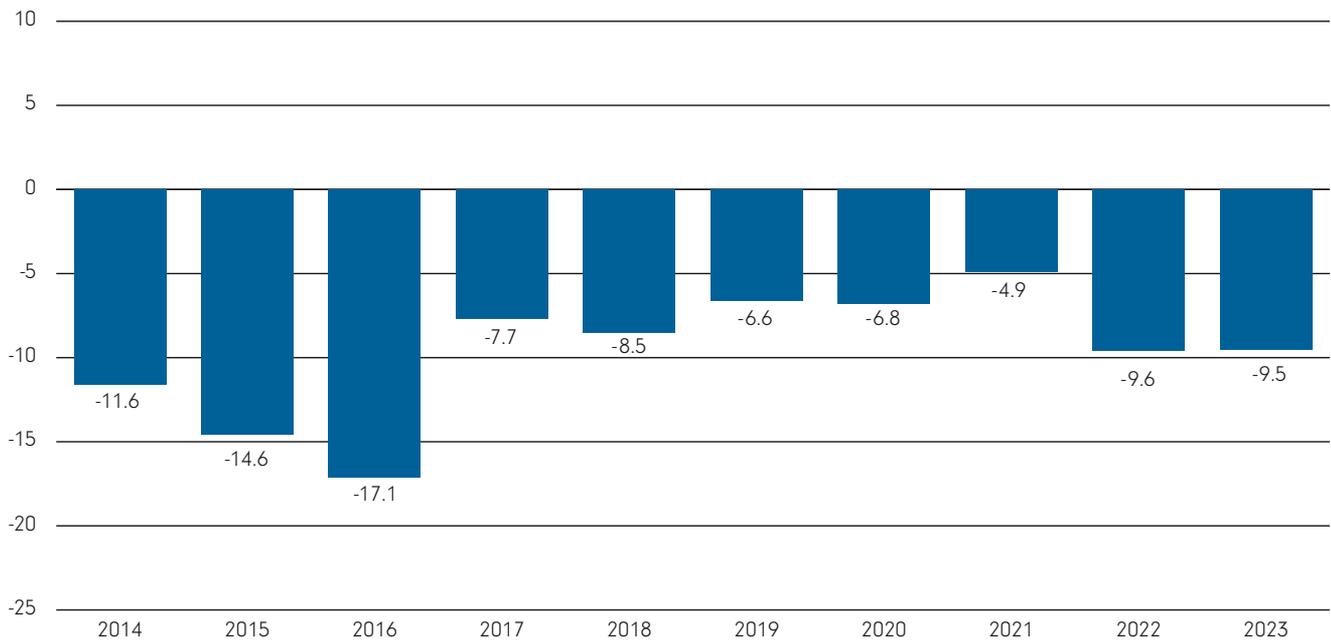
Summary of Performance Charts

NAV and ordinary share price for ten years to 31 December 2023



Sources: Fidelity and Datastream.

Ordinary share price discount to NAV for ten years to 31 December 2023 (%)



Sources: Fidelity and Datastream.

Strategic Report

The Directors have pleasure in presenting the Strategic Report of the Company. The Chairman's Statement and Portfolio Manager's Review on pages 2 to 8 also form part of the Strategic Report.

Business And Status

The Company carries on business as an investment company and has been accepted as an approved investment trust by HM Revenue & Customs under Sections 1158 and 1159 of the Corporation Tax Act 2010, subject to the Company continuing to meet eligibility conditions. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval.

The Company is registered as an investment company under Section 833 of the Companies Act 2006 and its ordinary shares are listed and traded on the London Stock Exchange. It is not a close company and has no employees.

Objective

The Company's objective is to achieve long-term capital growth by investing predominantly in equities and related securities of Japanese companies.

Strategy

In order to achieve the Company's objective, it operates as an investment company and has an actively managed portfolio of investments consisting of Japanese companies. As an investment company, it is able to gear the portfolio and the Board takes the view that long-term returns for shareholders can be enhanced by using gearing in a carefully considered and monitored way.

As part of the strategy, the Board has delegated the management of the portfolio and certain other services to the Manager (FIL Investment Services (UK) Limited). The Portfolio Manager aims to achieve a total return on the Company's assets over the longer-term in excess of the Reference Index, the TOPIX Total Return Index (in sterling terms). The stock selection approach adopted by the Portfolio Manager is considered to be well suited to achieving the Company's objective. The Board recognises that investing in equities is a long-term process and, given the cyclicity of the markets, expects that the Company's returns to shareholders will vary from year-to-year.

The Company's objective, strategy and principal activity have remained unchanged throughout the year ended 31 December 2023.

Investment Management Philosophy, Style and Process

The Investment Manager follows a consistent "growth at a reasonable price" investment style and approach which involves identifying companies in all areas of the market whose growth prospects are not fully recognised by other investors. The investment process utilises Fidelity's local research capability in Japan as well as the broader global research network. This approach is anchored in the belief that a rigorous, bottom-up, process to active management can identify companies where the market is underestimating or mis-pricing their future growth potential.

Investment Policy

The Company primarily invests in companies which are listed on Japanese stock exchanges. The portfolio is selected by the Investment Manager on the basis of its assessment of the fundamental value available in individual situations and with a typical focus on those companies whose growth prospects are not fully recognised by the market ("growth at a reasonable price"). Whilst the Company's overall exposure to individual companies and industry sectors is monitored, the portfolio is not restricted in terms of size or industry, although certain investment restrictions apply in order to attempt to diversify risk.

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

Investment Restrictions

In order to diversify the Company's portfolio, the Board has set the following investment guidelines for the Portfolio Manager. These guidelines and their impact are monitored on a daily basis and reported regularly to the Board:

- A maximum of 7.5% in the aggregate of all securities of any one company or other investment entity (10% for any group of companies) at the time of purchase. This is further limited to 12% of the Company's equity portfolio based on the latest market value.
- A maximum of 20% of its assets (at the time of acquisition) in securities which are not listed on any stock exchange or traded on the Jaspdaq market. The Company would normally only make any such investment where the Manager expects the securities to become registered for trading on the OTC market or become listed on a Japanese stock market in the foreseeable future.
- A maximum of 30% of its assets (at the time of acquisition) in equity related and debt instruments other than shares. The Company may also invest in derivatives for efficient portfolio management to protect the portfolio against market risk. Any such investment would normally be at a low level as the Company invests primarily in shares.
- A maximum of 15% of the Company's total assets may be invested in the securities of other investment trust companies.
- The maximum that the Company can hold in cash, or invest in cash equivalents, including money market instruments, is limited to 25% of the total value of the Company's gross assets. This limit will not include any amounts required as collateral to cover unrealised losses on derivatives. In practice the cash position will normally be much lower.

Gearing

The Company's policy is to be geared in the expectation that long-term investment returns will exceed the cost of gearing. This gearing is obtained through the use of Contracts for Difference (CFDs) to obtain exposure to Japanese equities selected by the Portfolio Manager. The effect of gearing is to magnify the consequence of market movements on the portfolio.

Strategic Report continued

The aggregate exposure of the Company to Japanese equities, whether held directly or through CFDs, will not exceed shareholders' funds by more than 30% at the time 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% at any other time unless exceptional circumstances exist. The level of gearing is reviewed regularly by the Board and the Portfolio Manager. Currently, the Portfolio Manager has discretion to be up to 25% geared.

At the year end the Company was 23.1% geared (2022: 20.8%).

Performance

The Company's performance for the year ended 31 December 2023, including a summary of the year's activities, and indications on trends and factors that may impact the future performance of the Company are included in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 8. The Attribution Analysis, Portfolio Listing, Distribution of the Portfolio, Ten Year Record and Summary of Performance Charts are on pages 9 to 24.

Results

The Company's results for the year ended 31 December 2023 are set out in the Income Statement on page 58. The revenue return was 2.17 pence and the capital return was 19.33 pence, giving a total return of 21.50 pence per ordinary share. As the Revenue Reserve is in deficit, the Directors do not recommend the payment of a dividend.

Key Performance Indicators

The Key Performance Indicators (KPIs) used to determine the performance of the Company and which are comparable to those reported by other investment companies are set out in the table below. The Board's intention is for the NAV and share price to outperform the Reference Index.

	Year ended 31 December 2023 %	Year ended 31 December 2022 %
NAV per ordinary share total return ¹	+12.2	-24.3
Share price total return ¹	+12.3	-28.1
Reference Index (in sterling terms) total return	+13.3	-4.1
Discount to NAV ¹	9.5	9.6
Ongoing charges ratio ^{1,2}	0.99	0.99

¹ Alternative Performance Measures.

² The Board regularly considers the costs of running the Company to ensure they are reasonable and competitive.

Sources: Fidelity and Datastream.

In addition to the KPIs set out in the table above, the Board regularly reviews the Company's performance against its peer group of investment companies. Long-term performance of the Company is shown in the Ten Year Record and the Summary of Performance Charts on pages 23 and 24.

Principal Risks and Uncertainties and Risk Management

As required by provisions 28 and 29 of the 2018 UK Corporate Governance Code, the Board has a robust ongoing process for identifying, evaluating and managing the principal and emerging risks and uncertainties faced by the Company, including those that could threaten its business model, future performance, solvency or liquidity. The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited/the Manager), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key existing and emerging risks and uncertainties that the Company faces. The Audit Committee continues to identify any new emerging risks and take any action necessary to mitigate their potential impact. The risks identified are placed on the Company's risk matrix and graded appropriately. This process, together with the policies and procedures for the mitigation of existing and emerging risks, is updated and reviewed regularly in the form of comprehensive reports by the Audit Committee. The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives.

Climate change, which refers to a large scale shift in the planet's weather patterns and average temperatures, continues to be a key emerging as well as a principal risk confronting asset managers and their investors. Globally, climate change effects are already being experienced in the form of changing weather patterns. Extreme weather events can potentially impact the operations of investee companies, their supply chains and their customers. The Board notes that the Manager has integrated ESG considerations, including climate change, into the Company's investment process. Further details are on pages 20 to 22. The Board will continue to monitor how this may impact the Company as a risk to investment valuations and potentially shareholder returns.

Other emerging risks may continue to evolve from unforeseen geopolitical and economic events.

The Board, together with the Manager, is also monitoring the emerging risks posed by the rapid advancement of artificial intelligence (AI) and technology and how it may threaten the Company's activities and its potential impact on the portfolio and investee companies. Although advances in computing power mean that AI is a powerful tool that will impact society, there are risks from its increasing use and manipulation with the potential to harm, including a heightened threat to cybersecurity.

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

The Board considers the risks listed below and on pages 28 to 30 as the principal risks and uncertainties faced by the Company.

Principal Risks	Mitigation
<p>Geopolitical Risk</p> <p>Geopolitical risk is the potential for political, socio-economic and cultural events, trends and developments to have an adverse effect on the Company's assets. In Asia, the key geopolitical risks stem from China and the tensions with the United States over trade and the future of Taiwan; and the potential of North Korean aggression and its impact on the region. Elsewhere, there is increased global economic uncertainty from the ongoing war in Ukraine and the conflict in the Middle East.</p>	<p>The Board is provided with a detailed investment review which covers material economic, market and legislative changes at each Board meeting as well as receiving periodic updates from economic and political commentators in the region.</p> <p>Although it is unclear how long the Ukraine and Middle East conflicts will last, the direct impact for Japan is not significant. The impact on the Company's portfolio of holdings is also relatively limited. However, the ramifications of a global downturn could have a significant impact on the Japanese economy.</p> <p>The Portfolio Manager's Review on pages 4 to 8 provides further detail on some of the risk factors.</p>
<p>Natural Disaster Risk</p> <p>Japan is extremely vulnerable to earthquakes and tsunamis. Depending on the magnitude of such events, positions in the portfolio may be affected. The Manager could also be impacted from an operational perspective if the epicentre is in or near Tokyo.</p>	<p>Whilst natural disasters cannot be averted, the Board is comfortable that the Manager has a robust business continuity plan in place.</p>
<p>Market, Economic and Currency Risks</p> <p>The Company's assets consist mainly of listed securities. Therefore, its principal risks include market related risks such as market downturn, interest rate movements, deflation/inflation and exchange rate movements. The Portfolio Manager's success or failure to protect and increase the Company's assets against this background is core to the Company's continued success.</p> <p>Most of the Company's assets and income are denominated in yen. However, the functional currency of the Company in which it reports its results is sterling. Consequently, it is subject to currency risk on exchange rate movements between the yen and sterling.</p>	<p>These risks are somewhat mitigated by the Company's investment trust structure which means no forced sales will need to take place to deal with any redemptions. Therefore, investments can be held over a longer time horizon.</p> <p>Risks to which the Company is exposed in the market risk category are included in Note 16 to the Financial Statements on pages 71 to 77 together with summaries of the policies for managing these risks.</p> <p>It is the Company's policy not to hedge against currency risks. Further details can be found in Note 16 to the Financial Statements on pages 71 to 77.</p>

Strategic Report continued

Principal Risks	Mitigation
<p>Investment Performance and Gearing Risks</p> <p>The portfolio is actively managed and performance risk is inherent in the investment process. The achievement of the Company's investment performance objective relative to the market requires the taking of risk, such as strategy, asset allocation and stock selection, and may lead to NAV and share price underperformance compared to the Reference Index.</p> <p>The portfolio has unlisted investments which, by their very nature, involve a higher degree of valuation and performance uncertainties, liquidity risks and possible delays in listing until market conditions are favourable.</p> <p>The Company has the option to make use of loan facilities or to use CFDs to invest in equities. The principal risk is that the Portfolio Manager may fail to use gearing effectively. 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.</p>	<p>The Portfolio Manager is responsible for actively monitoring the portfolio selected in accordance with the asset allocation parameters and seeks to ensure that individual stocks meet an acceptable risk/reward profile. The emphasis is on long-term investment performance as there is a risk for the Company of volatility of performance in the shorter-term.</p> <p>The Board closely monitors the valuations of the unlisted investments through the Manager's Fair Value Committee, which includes input from Fidelity's analysts covering the unlisted companies as well as Fidelity's unlisted investment specialist. In addition, advice is obtained from a third-party valuation specialist company (Kroll). Details of the unlisted investments valuation process is on page 17. The Board sets limits and guidelines for the Portfolio Manager as to how much of the Company's net assets can be held in unlisted securities. The limit approved by shareholders is 20% of net assets. As at 31 December 2023, the Company's unlisted investments represented 6.3% of net assets.</p> <p>The Company gears through the use of long CFDs which are currently cheaper than bank loans and provide greater flexibility. The Board regularly considers the level of gearing and gearing risk and sets limits within which the Portfolio Manager must operate.</p>
<p>Discount Control and Demand Risks</p> <p>There is a risk that the Company's shares trade at a persistent and significant discount to the NAV.</p> <p>There is a risk that the demand for the Company's shares may fall due to poor performance, changes in investor sentiment and attitudes towards investment in Japan.</p>	<p>The market value of the Company's shares and its discount to NAV are factors which are not wholly within the Board's total control. The Company's share price, NAV and discount volatility are monitored daily by the Manager and the Company's Broker and considered by the Board regularly. The Board endeavours to exercise some short-term influence over the discount through share repurchases, but it can prove challenging if market sentiment is not supportive of Japanese equities.</p> <p>The demand for shares is influenced by the appeal of Japanese markets and through good performance and an active investor relations program. The Board reviews analysis of the shareholder register at each Board meeting which allows the Board to monitor the relevance of the Company's mandate to shareholders and remain abreast of market sentiment.</p>

Principal Risks	Mitigation
<p>Key Person Risk</p> <p>The loss of the Portfolio Manager or other key individuals could lead to potential performance, operational or regulatory issues. There is a risk that the Manager has an inadequate succession plan for key individuals, particularly the Portfolio Manager with stock selection expertise in Japanese markets.</p>	<p>The Manager identifies key dependencies which are then addressed through succession plans. Fidelity has succession plans in place for portfolio managers and these are discussed regularly with the Board. The Board meets regularly with the Portfolio Manager and key members of the investment team to gauge any dissatisfaction or potential flight risk. The investment team in Japan work closely in a collaborative manner and fully understand the investment approach of the Portfolio Manager.</p>
<p>Environmental, Social and Governance (ESG) Risks</p> <p>There is a risk that the value of the assets of the Company are negatively impacted by ESG related risks, including the impact of climate change risk which continues to be one of the most critical issues confronting asset managers and their investors. Japan has a material exposure to acute weather events such as earthquakes.</p> <p>ESG risks also include investor expectations and how the Company is positioned from a marketing perspective.</p>	<p>The Board notes that the Manager has embedded ESG factors, including climate change, in its investment decision-making process. Fidelity has a climate change investing policy which details its plans to work with stakeholders to reduce climate risk across all investment strategies.</p> <p>ESG integration is carried out at the fundamental research analyst level within its investment teams, primarily through Fidelity's Proprietary Sustainability Rating which is designed to generate forward-looking assessments of companies ESG risks and opportunities based on sector-specific key performance indicators across many individual and unique sub-sectors. The Portfolio Manager is also active in analysing the effects of ESG when making investment decisions. The Board continues to monitor developments in this area and reviews the positioning of the portfolio considering ESG factors.</p> <p>ESG ratings and carbon emissions of the companies within the Company's portfolio compared to the MSCI are provided on page 22.</p> <p>Further detail on ESG considerations in the investment process and sustainable investment is on pages 20 to 22.</p>

Strategic Report continued

Principal Risks	Mitigation
<p>Business Continuity Risk</p> <p>There continues to be increased focus from financial services regulators around the world on the contingency plans of regulated financial firms. The top risks globally are cybersecurity, geopolitical events and natural disasters. There are also ongoing risks from the Russia/Ukraine war, specifically regarding cyberattacks and the potential loss of power and/or broadband services. Variants of Covid continue to evolve and some risks remain.</p> <p>The Company relies on a number of third-party service providers, principally the Registrar, Custodian and Depositary. They are all subject to a risk-based programme of risk oversight and internal audits by the Manager and their own internal controls reports are received by the Board on an annual basis and any concerns are investigated. The third-party service providers have also confirmed the implementation of appropriate measures to ensure no business disruption.</p>	<p>The Manager continues to take all reasonable steps to meet its regulatory obligations, assess its ability to continue operating and the steps it needs to take to support its clients, including the Board and has an appropriate control environment in place. The Manager has provided the Board with assurance that the Company has appropriate operational resilience and business continuity plans and the provision of services has continued to be supplied without interruption.</p> <p>Risks associated with third-party service providers are generally rated as low, but the financial consequences could be serious, including reputational damage to the Company. These are mitigated through operational resilience frameworks.</p>
<p>Cybercrime and Information Security Risks</p> <p>The operational risk and business impact from heightened external levels of cybercrime and the risk of data loss is significant. Cybercrime threats evolve rapidly. A cyberattack could result in the loss of confidential information or cause a significant disruption to the Company's operations. Risks also remain due to the Russia/Ukraine conflict and the trend to more working from home following the pandemic. These primarily relate to phishing, ransomware, remote access threats, extortion and denial-of-services attacks.</p>	<p>The Manager's technology and risk teams have developed a number of initiatives and controls in order to provide enhanced mitigating protection to this ever-increasing threat. The risk is regularly re-assessed by Fidelity's information security teams and risk frameworks are continuously enhanced. This has resulted in the implementation of additional tools and processes, including improvements to existing ones. Fidelity has a dedicated cybersecurity team which provides continuous oversight, regular awareness updates and best practice guidance. The Board receives regular updates from the Manager in respect of the type and possible scale of cyber attacks.</p> <p>The Manager has dedicated detect and respond resources specifically to monitor the cyber threats associated within the workplace and there are a number of mitigating actions in place including, control strengthening, geo-blocking and phishing mitigants, combined with enhanced resilience and recovery options.</p> <p>The Company's third-party service providers are also subject to regular oversight and provide assurances and have similar control measures in place to detect and respond to cyber threats and activity.</p>

Other risks facing the Company include:

Tax and Regulatory Risks

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

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

Continuation Vote

A continuation vote takes place every three years. There is a risk that shareholders do not vote in favour of continuation of the Company during periods when performance of the Company's NAV and the share price is poor. At the Company's AGM on 17 May 2022, 99.94% of the votes cast by shareholders were in favour of the continuation of the Company. The next continuation vote will take place at the AGM in 2025.

VIABILITY STATEMENT

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

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

- The ongoing relevance of the investment objective in prevailing market conditions;
- The Company’s level of gearing;
- The Company’s NAV and share price performance compared to its Reference Index;
- The principal and emerging risks and uncertainties facing the Company and their potential impact as set out on pages 26 to 30;
- The future demand for the Company’s shares;
- The Company’s share price discount to the NAV;
- The liquidity of the Company’s portfolio;
- The level of income generated by the Company;
- Future income and expenditure forecasts; and
- The Company will offer its shareholders a continuation vote at the AGM in 2025.

The Company outperformed the Reference Index over the five year reporting period to 31 December 2023, with a NAV total return of 47.3% and a share price total return of 45.7% compared to the Reference Index total return of 39.1%. The Board regularly reviews the investment policy and considers whether it remains appropriate. The Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years based on the following considerations:

- The Investment Manager’s compliance with the Company’s investment objective and policy, its investment strategy and asset allocation;
- The portfolio mainly comprises readily realisable securities which can be sold to meet funding requirements if necessary; and
- The ongoing processes for monitoring operating costs and income which are considered to be reasonable in comparison to the Company’s total assets.

In preparing the Financial Statements, the Directors have considered the impact of climate change as detailed on page 26. The Board has also considered the impact of regulatory changes and unforeseen market events and how this may affect the Company.

In addition, the Directors’ assessment of the Company’s ability to operate in the foreseeable future is included in the Going Concern Statement which can be found in the Directors’ Report on page 35.

PROMOTING THE SUCCESS OF THE COMPANY

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

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

The Board, with the Portfolio Manager, sets the overall investment strategy and reviews this on a regular basis. In order to ensure good governance of the Company, the Board has set various limits on the investments in the portfolio, whether in the maximum size of individual holdings, the use of derivatives, the level of gearing and others. These limits and guidelines are regularly monitored and reviewed and are set out on pages 25 and 26.

The Board receives regular reports from the Company’s Broker which covers market activity, how the Company compares with its peers in the Japan sector on performance, discount and share repurchase activity, an analysis of the Company’s share register and market trends.

The Board places great importance on communication with shareholders. The Annual General Meeting provides the key forum for the Board and the Portfolio Manager to present to the shareholders on the Company’s performance and future plans and the Board encourages all shareholders to attend in person or virtually and raise any questions or concerns. The Chairman and other Board members are available to meet shareholders as appropriate. Shareholders may also

Strategic Report continued

communicate with Board members at any time by writing to them at the Company's registered office at FIL Investments International, Beech Gate, Millfield Lane, Tadworth, Surrey KT20 6RP or via the Company Secretary at the same address or by email at investmenttrusts@fil.com.

The Portfolio Manager meets with major shareholders, potential investors, stock market analysts, journalists and other commentators throughout the year. These communication opportunities help inform the Board in considering how best to promote the success of the company over the long-term.

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

Whilst the Company's direct operations are limited, the Board recognises the importance of considering the impact of the Company's investment strategy on the wider community and environment. The Board believes that a proper consideration of ESG issues aligns with the Company's objective to deliver long-term capital growth, and the Board's review of the Manager includes an assessment of its ESG approach which is set out on pages 20 to 22.

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

- Authorising the repurchase of 3,615,644 ordinary shares into Treasury when market conditions permitted in order to keep the Company's discount in single digits. Since the year ended 31 December 2023 and up to the latest practicable date of this report, a further 3,351,529 ordinary shares have been repurchased;
- Meeting with the Company's key shareholders during the reporting year;
- The decision to hold a hybrid AGM in 2023 (and again this year) in order to make it more accessible to those shareholders who are unable to or prefer not to attend in person;
- The decision to appoint Seiichi Fukuyama to the Board as Dominic Ziegler's replacement with effect from 1 March 2024; and
- Meeting with the Portfolio Manager and the investment team during the Board's Due Diligence trip to Tokyo in June 2023.

Board Diversity

The Board carries out any candidate search against a set of objective criteria and on the basis of merit, with due regard for the benefits of diversity on the Board, including gender and

ethnicity. The Board has taken into consideration the new FCA's Listing Rules requirements (LR 9.8.6R(9), (10) and (11)) regarding the targets on board diversity:

- at least 40% of individuals on the Board are women;
- at least one senior Board position (chairman, chief executive officer ("CEO"), senior independent director or chief financial officer ("CFO")) is held by a woman; and
- at least one board member should be from a non-white ethnic background, as defined by the Office of National Statistics criteria.

The Board considers that as an externally managed investment trust, with no CEO or CFO, the Chairman of the Company, the Senior Independent Director and Chair of the Audit Committee to be senior positions.

As required by the FCA Listing Rules, the Company's reporting against these targets is set out in the tables below. The data was collected on a self-identifying basis. As at 31 December 2023, the target of 40% of women on the Board, the target of at least one senior Board position held by a woman and for at least one individual to be from a minority ethnic background have been met.

Gender Reporting

	Number of Board Members	Percentage of the Board	Number of Senior Board Positions (Chair, Senior Independent Director and Committee Chair)
Men	3	60%	2
Women	2	40%	1

Ethnic Background Reporting

	Number of Board Members	Percentage of the Board	Number of Senior Board Positions (Chair, Senior Independent Director and Committee Chair)
White British or other White (including minority white groups)	4	80%	3
Asian	1	20%	0

CORPORATE AND SOCIAL RESPONSIBILITY

Environmental, Social and Governance ESG in the Investment Process

The Board has contracted with the Manager to provide the Company with investment management and administrative services. It believes that ESG considerations are an important input into the assessment of the value of its investments. The investment universe is undergoing significant structural change and is likely to be impacted by increasing regulation as a result of climate change and other social and governance factors. The Board is committed to reviewing how the Manager applies ESG factors in the investment process. The Fidelity group of companies (including the Manager and Investment Manager) sets out its commitment to responsible investing and provides a copy of its detailed Responsible Investing at www.fidelity.co.uk/investing-fidelity-funds. Further information on Fidelity's ESG considerations in the investment process and in sustainable investing can be found on pages 20 to 22 and is part of this Strategic Report.

Socially Responsible Investment

The Manager's primary objective is to produce superior financial returns for the Company's shareholders. It believes that high standards of Corporate Social Responsibility (CSR) make good business sense and have the potential to protect and enhance investment returns.

Corporate Engagement

The Board believes that the Company should, where appropriate, take an active interest in the affairs of the companies in which it invests and that it should exercise its voting rights at their general meetings. It delegates the responsibility for corporate engagement and shareholder voting to the Manager which updates the Board on any issues and activities. These activities are reviewed regularly by the Manager's corporate governance team.

Streamlined Energy and Carbon Reporting (SECR)

As an investment company with all its activities outsourced to third parties, the Company's own direct environmental impact is minimal. The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. The Company is categorised as a low energy user (less than 40MWH) under the Streamlined Energy & Carbon Reporting regulations and therefore is not required to disclose any energy and carbon information in this Annual Report.

Task Force on Climate-Related Financial Disclosures (TCFD)

The Manager's product level disclosure consistent with the Task Force on Climate-Related Financial Disclosures (TCFD) can be found on the Company's pages of the Manager's website at <https://investment-trusts.fidelity.co.uk>.

Criminal Finances Act 2017

The Company is subject to the Criminal Finances Act 2017 and follows a zero-tolerance policy to tax evasion and its facilitation. The Directors are fully committed to complying with all legislation and appropriate guidelines designed to prevent tax evasion and the facilitation of tax evasion in the jurisdictions in which the Company, its service providers, counterparties and business partners operate.

Bribery Act 2010

The Company is committed to carrying out business fairly, honestly and openly. The Board recognises the benefits this has for reputation and business confidence. The Board, the Manager, the Manager's employees and others acting on the Company's behalf, are expected to demonstrate high standards of behaviour when conducting business.

The Board acknowledges its responsibility for the implementation and oversight of the Company's procedures for preventing bribery, and the governance framework for training, communication, monitoring, reporting and escalation of compliance together with enforcing actions as appropriate. The Board has adopted a zero-tolerance policy in this regard.

FUTURE DEVELOPMENTS

Some trends likely to affect the Company in the future are also common to many investment companies together with the impact of regulatory change and emerging risks. The factors likely to affect the Company's future development, performance and position are set out in the Chairman's Statement and the Portfolio Manager's Review on pages 2 to 8.

On Behalf of the Board

David Graham

Chairman
26 March 2024

Board of Directors



David Graham

Chairman

(since 18 May 2021)

Appointed 22 May 2018



David Graham is also a non-executive Director and Chairman of the Audit Committee of JPMorgan China Growth & Income plc and non-executive Director of Templeton Emerging Markets Investment Trust plc and the Mauritian boards of DSP India Investment Fund and DSP India Fund. He was born in Japan and is a Chartered Accountant who had a career in investment management, firstly as a Japanese and Asian Fund Manager with Lazards in London, Hong Kong and Tokyo and then with BlackRock (and predecessor companies, Merrill Lynch Investment Managers and Mercury Asset Management) building businesses and managing client relationships across Japan, Asia Pacific, Europe, Middle East and Africa.



Dominic Ziegler

Director

Appointed 17 November 2014



Dominic Ziegler also currently holds the post of Asia Columnist and Senior Asia Writer at The Economist in Singapore. He has over 30 years' experience in top-flight journalism and commentary, with a special expertise in East Asian affairs, particularly Japan, having previously served as The Economist's Tokyo Bureau Chief.



David Barron

Chairman of the Audit Committee

(since 18 May 2021)

Appointed 20 October 2020



David Barron is also Chairman of Dunedin Income Growth Investment Trust PLC. He is also a non-executive Director of Baillie Gifford European Growth Trust plc and BlackRock Sustainable American Income Trust plc. He was a past non-executive Director of Premier Miton Group PLC and a past lay-member of the Council of Lancaster University. He is a Chartered Accountant. Previously he was Chief Executive Officer of Miton Group plc, Head of Investment Trusts at JP Morgan Asset Management, a non-executive Director of Artemis Alpha Trust plc, and a Director of the Association of Investment Companies.



Myra Chan

Director

Appointed 17 October 2022



Myra Chan is also a Sales Director and Member of the Sustainability Committee at Aubrey Capital Management Limited headquartered in Scotland, Edinburgh. She has over 25 years of investment experience primarily based in Hong Kong, having worked as an Institutional Broker at HSBC Securities, an Investment Counsellor / Private Banker at Citi Private Bank and Head of Structured Products Distribution at JPMorgan Securities Asia Limited. She was also non-executive Director of a long-short Asian equity fund managed by Tiburon Partners in London. She is a CFA and graduated from the International Christian University of Tokyo.



Sarah MacAulay

Senior Independent Director

(since 10 October 2019)

Appointed 22 May 2018



Sarah MacAulay is also Chairman of Schroder Asian Total Return Investment Company plc and JP Morgan Multi-Asset Growth & Income plc. She was, until recently, Senior Independent Director of abrdn China Investment Company Ltd. Previously she was a Director of Baring Asset Management (Asia) Limited in Hong Kong and Asian Investment Manager at Kleinwort Benson and Eagle Star in London. She has over 20 years of Asian investment management experience based in both London and Hong Kong, managing institutional assets and unit trusts.



Seiichi Fukuyama

Director

Appointed 1 March 2024



Seiichi Fukuyama was Chairman of Standard Life Investments in Asia between 2010 and 2018 developing their re-entry strategy for Asia and their start-up strategy for Japan. Prior to that, he spent 20 years at BlackRock in a variety of senior leadership, management and business development roles in London, Taipei, Hong Kong and Tokyo.

All Directors are non-executive Directors and all are independent.

Committee membership key

A Audit
 M Management Engagement
 N Nomination
 ■ Committee Chair

Directors' Report

The Directors have pleasure in presenting their report and the audited Financial Statements of the Company for the year ended 31 December 2023.

The Company was incorporated in England and Wales as a public limited company on 10 February 1994 under the registered number 2885584 and was launched as an investment trust on 15 March 1994.

Management Company

FIL Investment Services (UK) Limited (FISL) is the Company's appointed Alternative Investment Fund Manager (the AIFM/Manager). FISL, as the Manager, has delegated the portfolio management of assets and the role of the company secretary to FIL Investments International.

The Alternative Investment Fund Management and Secretarial Services Agreement (the "Management Agreement") will continue unless and until terminated by either party giving to the other not less than six months' notice in writing. However, it may be terminated without compensation if the Company is liquidated pursuant to the procedures laid down in the Articles of Association of the Company. The Management Agreement may also be terminated forthwith as a result of a material breach of the Management Agreement or on the insolvency of the Manager or the Company. In addition, the Company may terminate the Management Agreement by sixty days' notice if the Manager ceases to be a subsidiary of FIL Limited.

FIL Limited has no beneficial interest in the shares of the Company (2022: same).

The Board reviews the Management Agreement at least annually and details are included in the Corporate Governance Statement on pages 40 and 41.

Management Fee

The Company has had a Variable Management Fee (VMF) arrangement which comprises a base fee based on net assets and a positive or negative variable element. The base fee is 0.70% of net assets per annum.

The variable fee of +/-0.20% is based on the Company's NAV per share performance relative to the TOPIX Total Return Index (in sterling terms) (the Company's Reference Index). The VMF element is calculated daily by referencing the performance of the Company's NAV to the performance of the Reference Index on a three year rolling basis. The variable element of the fee increases or decreases 0.033% for each percentage point of the three year NAV per ordinary share outperformance or underperformance over the Index to a maximum of +0.20% or a minimum of -0.20%. The maximum fee the Company will pay is 0.90% of net assets or in the case of underperformance, it can fall as low as 0.50%. The VMF is accrued daily and paid monthly.

The total management fee for the year ended 31 December 2023 was £1,362,000 (2022: £1,598,000) as detailed in Note 4 on page 65. This was made up of a base fee of £1,721,000 (2022: £1,670,000) and, due to the performance of the Company's NAV against the Reference Index calculated daily on a three year rolling basis, a credit of £359,000 (2022: credit of £72,000).

The Board

All Directors, other than Seiichi Fukuyama, served on the Board throughout the year ended 31 December 2023. Mr Fukuyama served on the Board from the date of his appointment on 1 March 2024.

A brief description of all Directors as at the date of this Annual Report is shown on page 34 and indicates their qualifications for Board membership.

Directors' and Officers' Liability Insurance

In addition to the benefits enjoyed under the Manager's global Directors' and Officers' liability insurance arrangements, the Company maintains additional insurance cover for its Directors' under its own policy as permitted by the Companies Act 2006.

Going Concern Statement

The Directors have considered the Company's investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio and its expenditure and cash flow projections. The Directors, having considered the liquidity of the Company's portfolio of investments (being mainly securities which are readily realisable) and the projected income and expenditure, are satisfied that the Company is financially sound and has adequate resources to meet all of its liabilities and ongoing expenses and continue in operational existence for the foreseeable future. The Board has, therefore, concluded that the Company has adequate resources to continue to adopt the going concern basis for the period to 31 March 2025 which is at least twelve months from the date of approval of the Financial Statements. This conclusion also takes into account the Board's assessment of the ongoing risks of earthquakes in Japan, the war in Ukraine, the Middle East conflict and significant market events.

Accordingly, the Financial Statements of the Company have been prepared on a going concern basis.

The prospects of the Company over a period longer than twelve months can be found in the Viability Statement on page 31.

Auditor's Appointment

A resolution to reappoint Ernst & Young LLP as Auditor to the Company will be proposed at the AGM on 22 May 2024.

Disclosure of Information to the Company's Auditor

As required by Section 418 of the Companies Act 2006, each Director in office as at the date of this Annual Report confirms that:

- so far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- each Director has taken all the steps that ought to have been taken as a Director to make himself/herself aware of any audit information, and to establish that the Company's Auditor is aware of that information.

Corporate Governance

The Corporate Governance Statement on pages 39 to 42 forms part of this report.

Directors' Report continued

Registrar, Custodian and Depository Arrangements

The Company has appointed Link Group as its Registrar to manage the Company's share register; JPMorgan Chase Bank as its Custodian, which is primarily responsible for safeguarding the Company's assets; and J.P. Morgan Europe Limited as its Depository, which is primarily responsible for oversight of the custody of investment funds and the protection of investors' interests. Fees paid to these service providers are disclosed in Note 5 on page 66.

Share capital

The Company's share capital comprises ordinary shares of 25 pence each which are fully listed on the London Stock Exchange. As at 31 December 2023, the share capital of the Company was 136,161,695 ordinary shares (2022: 136,161,695) of which 10,075,446 shares (2022: 6,459,802) were held in Treasury. Shares in Treasury do not have voting rights, therefore, the total number of ordinary shares with voting rights was 126,086,249 (2022: 129,701,893).

Premium/Discount Management: Enhancing Shareholder Value

The Board recognises the importance of the relationship between the Company's share price and the NAV per share and monitors this closely. It seeks authority from shareholders each year to issue shares at a premium or to repurchase shares at a discount to the NAV, either for cancellation or for holding in Treasury. The Board will exercise these authorities if deemed to be in the best interests of shareholders at the time. Further details of the Board's discount management policy can be found in the Chairman's Statement on page 2.

Share Issues

No ordinary shares were issued in the year to 31 December 2023 (2022: nil) and none have been issued since the year end and as at the date of this report.

The authorities to issue shares and to disapply pre-emption rights expire at the AGM on 22 May 2024 and resolutions to renew these authorities will be put to shareholders at this AGM.

Share Repurchases

In the reporting year, 3,615,644 (2022: 175,001) ordinary shares were repurchased for holding in Treasury. This represented 2.7% of issued share capital. Since the year end and at the latest practicable date of this report, 3,351,529 ordinary shares have been repurchased into Treasury.

The authority to repurchase ordinary shares expires at the AGM on 22 May 2024 and a resolution to renew the authority to repurchase shares, either for cancellation or to buy into Treasury, will be put to shareholders at this AGM.

Substantial Share Interests

As at 31 December 2023 and 28 February 2024, notification had been received that the shareholders listed in the table below held more than 3% of the voting share capital of the Company.

Additional Information Required in the Directors' Report

Information on proposed dividends, financial instruments and the disclosure on Streamlined Energy and Carbon Reporting (SECR) is set out in the Strategic Report on pages 25 to 33.

	29 February 2024 %	31 December 2023 %
Shareholders		
City of London Investment Management	14.62	14.45
Lazard Asset Management	14.20	14.07
Allspring Global Investments	10.62	10.44
Hargreaves Lansdown	7.04	7.19
Fidelity Platform Investors	6.96	6.99
Interactive Investor	4.79	5.04
Wesleyan Assurance	4.22	4.15
1607 Capital Partners	3.25	3.20
Canaccord Genuity Wealth Management	3.09	3.07

ANNUAL GENERAL MEETING – WEDNESDAY, 22 MAY 2024 AT 12 NOON

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000.

The AGM of the Company will be held at **12 noon on Wednesday, 22 May 2024** at 4 Cannon Street, London EC4M 5AB (nearest tube stations are St. Paul's or Mansion House) and virtually via the online Lumi AGM meeting platform. Full details of the meeting are given in the Notice of Meeting on pages 81 to 84. Japanese refreshments will be served after the meeting.

The Notice of Meeting and related papers are sent to shareholders at least 20 working days before the AGM.

For those shareholders who are unable to attend in person, we will live-stream the formal business and presentations of the meeting online.

Nicholas Price, the Portfolio Manager, will be making a presentation to shareholders highlighting the achievements and challenges of the past year and the prospects for the year to come. He and the Board will be very happy to answer any questions that shareholders may have. Copies of the Portfolio Manager's presentation can be requested by email at investmenttrusts@fil.com or in writing to the Company Secretary at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Properly registered shareholders joining the AGM virtually will be able to vote on the proposed resolutions. Please see Note 9 to the Notes to the Notice of Meeting on page 83 for details on how to vote virtually. Investors viewing the AGM online will be able to submit live written questions to the Board and the Portfolio Manager and these will be addressed on their behalf at an appropriate juncture during the meeting.

Further information and links to the Lumi platform may be found on the Company's website www.fidelity.co.uk/japan. On the day of the AGM, in order to join electronically and ask questions via the Lumi platform, shareholders will need to connect to the website <https://web.lumiagm.com>.

We urge shareholders to vote and make use of the proxy form provided. Please note that investors on platforms such as Fidelity Personal Investing, Hargreaves Lansdown, Interactive Investor or AJ Bell Youinvest will need to request attendance at the AGM in accordance with the policies of your chosen platform. They may request that you submit electronic votes in advance of the meeting. If you are unable to obtain a unique IVC and PIN from your nominee or platform, we will also welcome online participation as a guest. Once you have accessed <https://web.lumiagm.com> from your web browser on a tablet or computer, you will need to enter the **Lumi Meeting ID** which is **144-545-039**.

You should then select the 'Guest Access' option before entering your name and who you are representing, if applicable. This will allow you to view the meeting and ask questions but you will not be able to vote.

Fidelity Platform Investors – Voting at AGMs

If you hold your shares in the Company through the Fidelity Platform, then Fidelity passes on to you the right to vote on the proposed resolutions at the Company's AGM. Fidelity Platform Investors are advised to vote online via the Broadridge Service (a company that specialises in investor voting facilities). Investors can sign up to this facility via their Fidelity Investor Account.

Proxy Voting

A paper Proxy Form will be sent to all shareholders who hold shares on the main share register. This will assist shareholders to vote in advance of the meeting should they decide not to attend in person.

If you have sold, transferred or otherwise disposed of all your shares in the Company, you should pass this document, together with any accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

At the AGM on 22 May 2024, resolutions will be proposed relating to the items of business set out in the Notice of Meeting on pages 81 and 82, including the items of special business summarised below and on the next page.

Authority to Allot Shares

Resolution 10 is an ordinary resolution and provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,702,021. If passed, this resolution will enable the Directors to allot a maximum of 6,808,084 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company (including Treasury shares) as at 26 March 2024, and to impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter. The Directors would not intend to use this power unless they considered that it was in the interests of shareholders to do so. Any shares issued would be at NAV per share or at a premium to NAV per share.

Authority to Disapply Pre-Emption Rights

Resolution 11 is a special resolution disapplying pre-emption rights and granting authority to the Directors, without the need for further specific shareholder approval, to make allotments of equity securities or sale of Treasury shares for cash up to an aggregate nominal value of £1,702,021 (including Treasury shares) (approximately 5% of the issued share capital of the Company as at 26 March 2024 and equivalent to 6,808,084 ordinary shares).

Directors' Report continued

Authority to Repurchase Shares

Resolution 12 is a special resolution which renews the Company's authority to purchase up to 14.99% (18,397,932) of the ordinary shares in issue (excluding Treasury Shares) at the latest practicable date of this report, either for immediate cancellation or for retention as Treasury shares, at the determination of the Directors. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or by cancelling the shares. Purchases of ordinary shares will be made at the discretion of the Directors and within guidelines set from time-to-time by them in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share.

Recommendation: The Board considers that each of the resolutions is likely to promote the success of the Company and is in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

By Order of the Board

FIL Investments International

Secretary

26 March 2024

Corporate Governance Statement

The Corporate Governance Statement forms part of the Directors' Report. The Company is committed to maintaining high standards of corporate governance. Accordingly, the Board has put in place a framework for corporate governance which it believes is appropriate for an investment company.

Corporate Governance Codes

The Board follows the principles and provisions of the UK Corporate Governance Code (the "UK Code") issued by the Financial Reporting Council (FRC) in July 2018 and the AIC Code of Corporate Governance (the "AIC Code") issued by the Association of Investment Companies (AIC) in February 2019. The AIC Code addresses the principles and provisions of the UK Code. The FRC has confirmed that investment companies which report against the AIC Code will meet their obligations under the UK Code and paragraph 9.8.6 of the Listing Rules. This Statement, together with the Statement of Directors' Responsibilities on page 46, set out how the principles have been applied.

The AIC Code can be found on the AIC's website at www.theaic.co.uk and the UK Code on the FRC's website at www.frc.org.uk.

Statement of Compliance

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code for the year under review and up to the date of this report, except in relation to the UK Code provisions relating to the role of the chief executive, executive directors' remuneration, and the need for an internal audit function. The Board considers that these provisions are not relevant to the position of the Company, as it is an externally managed investment company and has no executive directors, employees or internal operations. All of its day to day management and administrative functions are delegated to the Manager.

THE BOARD

Board Composition

As at the date of this report, the Board, chaired by David Graham, consists of six non-executive Directors and will revert back to five non-executive Directors when Dominic Ziegler steps down from the Board at the conclusion of the AGM on 22 May 2024.

The Directors believe that, between them, they have good knowledge and wide experience of business in Japan, the Asian region and of investment trusts, and that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company and length of service to discharge its duties and provide effective strategic leadership and proper governance of the Company.

Sarah MacAulay is the Senior Independent Director and fulfils the role of sounding board for the Chairman and intermediary for the other Directors as necessary, and to act as a channel of communication for shareholders in the event that contact through the Chairman is inappropriate.

Biographical details of all Directors are on page 34.

Board Responsibilities

The Board has overall responsibility for the Company's affairs and for promoting the long-term success of the Company. All matters which are not delegated to the Company's Manager under the Management Agreement are reserved for the Board's decision. Matters reserved for the Board and considered at meetings include decisions on strategy, management, structure, capital, share issues, share repurchases, gearing, financial reporting, risk management, investment performance, share price discount, corporate governance, Board appointments, and the appointments of the Manager and the Company Secretary. The Board also considers shareholder issues including communication and investor relations.

All Directors are independent of the Manager and considered to be free from any relationship which could materially interfere with the exercise of their independent judgement. The Board follows a procedure of notification of other interests that may arise as part of considering any potential conflicts and is satisfied that none has arisen in the year under review.

All Directors are able to allocate sufficient time to the Company to discharge their responsibilities fully and effectively. The Directors are entitled to take independent professional advice, at the Company's expense, in the furtherance of their duties.

Board Meetings

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table on the next page gives the attendance record for the meetings held in the reporting year. The Portfolio Manager and key representatives of the Manager also attend these meetings. Regular Board meetings exclude ad hoc meetings for formal approvals.

Between these meetings there is regular contact with the Manager and other meetings are arranged as necessary. Additionally, Board Committees and sub-groups meet to pursue matters referred to them by the Board and the Chairman is in contact with the other Directors regularly without representatives of the Manager being present.

In addition to the formal Board and Committee meetings, the Board aims to undertake a due diligence trip to Japan each year. On such trips, the Board meets with members of the Fidelity investment team and management in Tokyo, market strategists and commentators as well as the management of existing and potential investee companies. The Board conducted a due diligence trip during June 2023, details of which are in the Chairman's Statement on page 3.

Corporate Governance Statement continued

Board's Attendance Record for the Reporting Year

	Regular Board Meetings	Nomination Committee Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
David Graham	5/5	1/1	5/5	1/1
David Barron	5/5	1/1	5/5	1/1
Myra Chan	5/5	1/1	5/5	1/1
Sarah MacAulay	5/5	1/1	5/5	1/1
Dominic Ziegler	5/5	1/1	5/5	1/1

Company Secretary

The Board has access to the advice and services of the Company Secretary. The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Changes to the Board

Changes to the Board take place in accordance with the Companies Act 2006, the Company's Articles of Association and the AIC Code. The Nomination Committee is responsible for identifying and discussing possible candidates. However, any proposal for a new Director is approved by the entire Board. External consultants who have no connection with the Company are used to identify potential candidates.

Director Training

Upon appointment, each Director is provided with all relevant information regarding the Company and receives an induction in the investment operations and administration functions of the Company, together with a summary of their duties and responsibilities to the Company. Directors also receive regular briefings from, amongst others, the AIC, the Company's Auditor and the Company Secretary, regarding any proposed developments or changes in law or regulations that could affect the Company and/or the Directors.

Election and Re-Election of Directors

All newly appointed Directors stand for election by the shareholders at the AGM following their appointment by the Board. All other Directors are subject to annual re-election by the shareholders. All current Directors as at the date of this Annual Report, with the exception of Dominic Ziegler, will be standing for election and re-election at this year's AGM and are listed, together with their biographical details, on page 34. The terms and letters of appointment of Directors are available for inspection at the registered office of the Company.

Board Evaluation

An annual evaluation of the Board, its Directors and its Committees is undertaken. The Chairman leads the assessment of the individual Directors' contributions to the Board and the Senior Independent Director is responsible for evaluating the performance of the Chairman. The results of these evaluations are discussed by the Board and the process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board and its Committees and action is taken on the basis of the results. The Board

considers tenure of individual Directors as one of the matters in the evaluation process. The Board last undertook an evaluation in November 2023 and determined that the Board functioned well, with the right balance of membership and skills.

Directors' Remuneration and Share Interests

Details of Directors' remuneration and their share interests are disclosed in the Directors' Remuneration Report on pages 44 and 45.

BOARD COMMITTEES

The Board has three Committees, as set out below and on the next page, through which it discharges certain of its corporate governance responsibilities. These are the Audit Committee, the Management Engagement Committee and the Nomination Committee. Terms of reference of each Committee are available on the Company's pages of the Manager's website at www.fidelity.co.uk/japan.

Audit Committee

The Audit Committee is chaired by David Barron and consists of all of the Directors. The Chairman of the Board is also a member of the Audit Committee as the Board believe that such responsibility should be shared by all of the Directors. Full details are disclosed in the Report of the Audit Committee on pages 47 to 50.

Management and Engagement Committee Composition

The Management Engagement Committee is chaired by David Graham and consists of all of the Directors.

Role and Responsibilities

The Committee is charged with reviewing and monitoring the performance of the Manager and for ensuring that the terms of the Company's Management Agreement remain competitive and reasonable for shareholders. It meets at least once a year and reports to the Board, making recommendations where appropriate.

Manager's Reappointment

Ahead of the AGM on 22 May 2024, the Committee has reviewed the performance of the Manager and the current fee structure and also that of its peers. The Committee noted the Company's long-term performance record and the commitment, quality and continuity of the team responsible for the Company and concluded that it was in the interests of shareholders that the appointment of the Manager should continue. Details of the

fee structure for the year ended 31 December 2023 are in the Directors' Report on page 35.

Nomination Committee

Composition

The Nomination Committee is chaired by David Graham and consists of all of the Directors.

Role and Responsibilities

The Committee meets at least once a year and reviews the composition, size and structure of the Board and makes recommendations to the Board as appropriate. The Committee is responsible for succession planning and it is charged with nominating new Directors for consideration by the Board, and, in turn, for approval by shareholders.

In respect of new Directors, the Committee carries out its candidate search from the widest possible pool of talent with due regard to the benefits of diversity, including a range of skills, knowledge, experience, perspectives and backgrounds. New Directors are appointed on the basis of merit. External consultants, with no connection with the Company, are used to identify potential candidates. This was the case for the recruitment of Seiichi Fukuyama through the services of Nurole.

The Committee also considers the election and re-election of Directors ahead of each AGM. For the forthcoming AGM, it has considered the performance and contribution of each Director and concluded that each Director seeking election and re-election has been effective and continues to demonstrate commitment to their roles. This has been endorsed by the Board, which recommends their appointment and reappointment by shareholders at the AGM on 22 May 2024.

ACCOUNTABILITY AND AUDIT

Financial Reporting

Set out on page 46 is a statement by the Directors of their responsibilities in respect of the preparation of the Annual Report and Financial Statements. The Auditor has set out its reporting responsibilities within the Independent Auditor's Report to the Members on pages 51 to 57.

The Board has a responsibility to present fair, balanced and understandable annual and half-yearly financial statements. All such financial statements are reviewed by the Audit Committee and approved by the Board prior to their issue to ensure that this responsibility is fulfilled.

Risk Management and Internal Controls

The Board is responsible for the Company's systems of risk management and of internal controls and for reviewing their effectiveness. The review takes place at least once a year. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board determines the nature and extent of any risks it is willing to take in order to achieve its strategic objectives. It is responsible for the design, implementation and maintenance of controls and procedures to safeguard the assets of the Company although these tasks have been delegated on a day-to-day basis

to the Manager. The system extends to financial, operational and compliance controls and risk management. Clear lines of accountability have been established between the Board and the Manager. The Manager provides regular reports on controls and compliance issues to the Audit Committee and the Board, including service providers' own internal controls reports which are received by the Board on an annual basis. In carrying out its review, the Audit Committee has regard to the activities of the Manager, the Manager's compliance and risk functions and the work carried out by the Independent Auditor and also includes consideration of internal controls and similar reports issued by the other service providers.

The Board, assisted by the Manager, has undertaken a rigorous risk and controls assessment. The process also assists in identifying any new emerging risks and the action necessary to mitigate their potential impact. The Board confirms that there is an effective ongoing process in place to identify, evaluate and manage the Company's principal business and operational risks, and that it has been in place throughout the year ended 31 December 2023 and up to the date of this report. This process is in accordance with the FRC's "Risk Management, Internal Control and Related Financial Business Reporting" guidance.

The Board has reviewed the need for an internal audit function and has determined that the systems and procedures employed by the Manager, which are subject to inspection by the Manager's internal and external audit processes, provide sufficient assurance that a sound system of internal controls is maintained to safeguard shareholders' investments and the Company's assets. An internal audit function, specific to the Company is, therefore, considered unnecessary. The Audit Committee meets the Manager's internal audit representative at least once a year. It receives a summary of the Manager's externally audited internal controls report on an annual basis.

Whistle-Blowing Procedure

Part of the Manager's role in ensuring the provision of a good service pursuant to the Management Agreement, includes the ability for employees of Fidelity to raise concerns through a workplace concerns escalation policy (or "whistle-blowing procedure"). Fidelity has advised the Board that it is committed to providing the highest level of service to its customers and to applying the highest standards of quality, honesty, integrity and probity. The aim of the policy is to encourage employees and others working for Fidelity to assist the Company in tackling fraud, corruption and other malpractice within the organisation and in setting standards of ethical conduct. Accordingly, this policy has been endorsed by the Board.

Responsibility as Institutional Shareholder

The Board has adopted the Manager's Principles of Ownership in relation to investments. These Principles include the pursuit of an active investment policy through portfolio management decisions, voting on resolutions at general meetings and maintaining a continuing dialogue with the management of investee companies. Fidelity International is a signatory to the UK Stewardship Code which sets out the responsibilities of institutional shareholders and agents. Further details of the Manager's Principles of Ownership and voting may be found at www.fidelity.co.uk.

Corporate Governance Statement continued

Relations with Shareholders

Communication with shareholders is given a high priority by the Board and it liaises with the Manager and the Company's broker who are in regular contact with the Company's major institutional investors to canvass shareholder opinion and to communicate its views to shareholders. All Directors are made aware of shareholders' concerns and the Chairman, the Senior Independent Director and, where appropriate, other Board Directors, are available to meet with shareholders to discuss strategy and governance. In addition, the Portfolio Manager also meets with major shareholders and investors in the UK and Tokyo. The Board regularly monitors the shareholder profile of the Company and receives regular reports from the Manager on meetings attended with shareholders and any concerns raised in such meetings. The Board aims to provide the maximum opportunity for dialogue between the Company and its shareholders. If any shareholder wishes to contact a member of the Board directly, they should either email the Company Secretary at investmenttrusts@fil.com or in writing at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP. The Company Secretary will attend to any enquiries promptly and ensure that they are directed to the Chairman, Senior Independent Director or the Board as a whole, as appropriate.

The Board encourages all shareholders to attend the Company's AGM on 22 May 2024 details of which can be found on page 80. Full details of the Notice of Meeting are on pages 81 to 84.

Voting Rights in the Company's Shares

Every person entitled to vote on a show of hands has one vote. On a poll, every shareholder who is present in person or by proxy or representative has one vote for every ordinary share held. At general meetings, all proxy votes are counted and, except where a poll is called, proxy voting is reported for each resolution after it has been dealt with on a show of hands. The proxy voting results are disclosed on the Company's pages of the Manager's website at www.fidelity.co.uk/japan.

Articles of Association

Any changes to the Company's Articles of Association must be made by special resolution.

On Behalf of the Board

David Graham

Chairman
26 March 2024

Directors' Remuneration Report

The Directors' Remuneration Report for the year ended 31 December 2023 has been prepared in accordance with the Large & Medium sized Companies & Groups (Accounts & Reports) (Amendment) Regulations 2013 (the "Regulations"). As the Board is comprised entirely of non-executive Directors and has no chief executive and employees, many parts of the Regulations, in particular those relating to chief executive officer pay and employee pay, do not apply and are therefore, not disclosed in this report.

An ordinary resolution to approve the Directors' Remuneration Report will be put to shareholders at the AGM on 22 May 2024.

The Company's Auditor is required to audit certain sections of this report and where such disclosures have been audited, the specific section has been indicated as such. The Auditor's opinion is included in its report on pages 51 to 57.

Directors' Remuneration

The annual fee structure with effect from 1 January 2024 is as follows: Chairman: £43,000 (2023: £40,000); Chairman of the Audit Committee: £36,000 (2023: £33,000); and Directors: £30,500 (2023: £29,000). Increases in Directors' remuneration are made to ensure that fees remain competitive and sufficient to attract and retain the quality of Directors needed to manage the Company successfully.

Remuneration policy

The Company's Articles of Association limit the aggregate fees payable to each Director to £50,000 per annum. Subject to this overall limit, it is the Board's policy to determine the level of Directors' fees having regard to the time spent by them on the Company's affairs; the level of fees payable to non-executive directors in the industry generally; the requirement to attract and retain individuals with suitable knowledge and experience; and the role that individual Directors fulfil. Other than fees and reasonable travel expenses incurred in attending to the affairs of the Company, the Directors are not eligible for any performance related pay or benefits, pension related benefits, share options, long-term incentive schemes, or other taxable benefits. The Directors are not entitled to exit payments and are not provided with any compensation for loss of office.

The level of Directors' fees is determined by the whole Board. Directors do not vote on their own fees. The Board reviews the Company's Remuneration Policy and implementation on an annual basis. Reviews are based on information provided by the Company's Manager and research from third parties and it includes information on the fees of other similar investment trusts.

No Director has a service contract with the Company. New Directors are provided with a letter of appointment which, amongst other things, provides that their appointment is subject to the Companies Act 2006 and the Company's Articles of Association. Copies of the Directors' letters of appointment are available at each of the Company's AGMs and can be obtained from the Company's registered office.

In common with most investment trusts there is no Chief Executive Officer and there are no employees.

The Company's remuneration policy will apply to new Board members, who will be paid the equivalent amount of fees as current Board members.

Voting on the Remuneration Policy

The Remuneration Policy (the "Policy"), as set out above, was approved at the AGM on 24 May 2023 with 99.74% of votes cast in favour, 0.23% of votes cast against and 0.03% of votes withheld. The Policy has been followed throughout the year ended 31 December 2023 and up to the date of this report. The next vote will be put to shareholders at the AGM in May 2026 and the votes cast will be disclosed on the Company's pages of the Manager's website at www.fidelity.co.uk/japan.

Voting on the Directors' Remuneration Report

At the AGM held on 24 May 2023, 99.74% of votes were cast in favour of the Directors' Remuneration Report for the year ended 31 December 2022, 0.27% of votes were cast against and 0.03% of votes were withheld.

The Directors' Remuneration Report for the year ended 31 December 2023 will be put to shareholders at the AGM on 22 May 2024, and the votes cast will be disclosed on the Company's pages of the Manager's website at www.fidelity.co.uk/japan.

Single Total Figure of Directors' Remuneration

The single total aggregate Directors' remuneration for the year ended 31 December 2023 was £169,012 (2022: £130,713). This includes expenses incurred by Directors in attending to the affairs of the Company and which are considered by HMRC to be taxable expenses. Information on individual Directors' fees and expenses are disclosed in the table on the next page.

Directors' Remuneration Report continued

Remuneration of Directors

	2024	2023	2023	2023	2022	2022	2022
	Projected fees (£)	Fees (Audited) (£)	Taxable Expenses (Audited) (£)	Total (Audited) (£)	Fees (Audited) (£)	Taxable Expenses (Audited) (£)	Total (Audited) (£)
David Graham	43,000	40,000	-	40,000	38,500	-	38,500
David Barron	36,000	33,000	-	33,000	31,500	-	31,500
Myra Chan ¹	30,500	29,000	-	29,000	5,713	-	5,713
Seiichi Fukuyama ²	25,500	n/a	n/a	n/a	n/a	n/a	n/a
Sarah MacAulay	30,500	29,000	-	29,000	27,500	-	27,500
Dominic Ziegler ³	11,917	29,000	9,012	38,012	27,500	-	27,500
Total	177,417	160,000	9,012	169,012	130,713	-	130,713

1 Appointed on 17 October 2022.

2 Appointed on 1 March 2024.

3 Retiring on 22 May 2024. Mr Ziegler had no taxable expenses during 2022 due to Covid travel restrictions.

Five year change comparison in Directors' Remuneration

The table below shows the change in Directors' fees over the last five years.

Director	2023	2018	Change (%)
Chairman	40,000	35,000	+14.3
Audit Committee Chairman	33,000	26,500	+24.5
Senior Independent Director/ Director	29,000	24,000	+20.8

Expenditure on Directors' Remuneration and Distributions to Shareholders

As the Company currently pays no dividends, the Directors do not consider that it is relevant to present a table showing this information. The total fees paid to Directors is shown in the table above.

Performance

The Company's objective is to achieve long-term capital growth by investing predominantly in equities and related securities of Japanese companies. The graph below shows the performance of the Company's NAV, share price and the Reference Index (in sterling terms) over ten years to 31 December 2023.

Total return performance for the ten years to 31 December 2023



Rebased to 100.

Sources: Fidelity and Datastream.

Past performance is not a guide to future returns.

Directors' Interest in the Company's Ordinary Shares

Although there is no requirement for the Directors to hold shares in the Company, shareholdings by Directors are encouraged. The interests of the Directors and their connected persons in the ordinary shares of the Company are shown below. All of the shareholdings are beneficial.

Directors' Shareholdings (Audited)

	31 December 2023	31 December 2022	Change during year
David Graham	78,489	78,489	-
David Barron	19,366	19,366	-
Myra Chan	-	-	-
Sarah MacAulay	181,340	181,340	-
Dominic Ziegler ¹	24,045	16,000	8,045

¹ Purchase of shares.

All shareholdings remain unchanged as at the date of this report. Seiichi Fukuyama was appointed on 1 March 2024 and does not hold any shares as at the date of this report.

On Behalf of the Board

David Graham

Chairman

26 March 2024

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law, the Directors have elected to prepare the Financial Statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including Financial Reporting Standard FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the reporting period.

In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a fair and balanced manner that provides relevant, reliable, comparable and understandable information;
- State whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the Company and Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, a Directors' Report, a Corporate Governance Statement and a Directors' Remuneration Report which comply with that law and those regulations.

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

The Directors confirm that to the best of their knowledge:

- The Financial Statements, prepared in accordance with UK Generally Accepted Practice, including FRS 102, give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- The Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces; and
- The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Statement of Directors' Responsibility was approved by the Board on 26 March 2024 and signed on its behalf by:

David Graham
Chairman

Report of the Audit Committee

I am pleased to present the formal report of the Audit Committee (the "Committee") to shareholders.

The primary responsibilities of the Committee are to ensure the integrity of the Company's financial reporting, the appropriateness of the risk management and internal controls processes and the effectiveness of the independent audit process and how this has been assessed for the year ended 31 December 2023.

Composition

The members of the Committee are myself as Chairman and all of the other Directors. David Graham is also a member of the Committee because the Board believes it is appropriate for all Directors to have such responsibility. All Committee members are independent non-executive Directors and collectively have sufficient recent and relevant financial experience to discharge their responsibilities fully.

The Committee's performance is evaluated annually as part of the overall Board evaluation process.

Role and Responsibilities of the Committee

The Committee's authority and duties are clearly defined in its terms of reference and are available on the Company's pages of the Manager's website at www.fidelity.co.uk/japan. These duties include:

- Establishing with the Auditor the nature and scope of the audit, reviewing the Auditor's quality control procedures and reporting, the effectiveness of the audit process and the Auditor's independence and objectivity with particular regard to the provision of non-audit services;
- Responsibility for making recommendations on the appointment, reappointment and removal of the Auditor;
- Reviewing the effectiveness of the Company's risk management and internal controls systems (including financial, operational and compliance controls) and considering the scope of the work undertaken by the Manager's internal audit function;
- Monitoring the integrity of the Company's Half-Yearly and Annual Report and Financial Statements to ensure that they are fair, balanced and understandable;
- Reviewing the existence and performance of controls operating in the Company, including the reviews of internal controls reporting provided in relation to its service providers; and
- Reviewing the relationship with and the performance of third party service providers (such as the Registrar, Custodian and Depository).

Meetings and Business Considered by the Committee

Since the date of the last Annual Report (28 March 2023), the Committee has met five times and the Auditor attended three of these meetings.

The following matters were reviewed at each Committee meeting.

- The Company's risk management and internal controls framework;
- The Company's compliance with its investment policy limits;
- The methodology for reaching the fair value of unlisted investments;
- The Depository's oversight reporting;
- The Company's revenue and expenses forecasts and its Balance Sheet; and
- The Committee's Terms of Reference.

Report of the Audit Committee continued

In addition, the following matters were considered at these meetings:

June 2023	<ul style="list-style-type: none"> Detailed review of the valuations of the Company's unlisted investments with the Manager's Fair Value Committee, including the Manager's unlisted specialist, and the independent valuer, Kroll. See further details on the next page.
July 2023	<ul style="list-style-type: none"> The Half-Yearly Report and Financial Statements and recommendation of its approval to the Board The Going Concern Statement
November 2023	<ul style="list-style-type: none"> The Auditor's engagement letter and audit plan for the Company's year ending 31 December 2023, including the proposed audit fee Internal Audit reporting, including review of the Internal Audit plan Review of Fidelity's AAF Reports (assurance reports on internal controls) Review of outsourced third party service providers control reports Review of the Manager's Risk Management Process Document Review of the Manager's detailed risk matrix and mitigating controls Review of emerging risks and risk assessment
December 2023	<ul style="list-style-type: none"> Detailed review of the valuations of the Company's unlisted investments with the Manager's Fair Value Committee, including the Manager's unlisted specialist, and the independent valuer, Kroll. See further details on the next page.
March 2024	<ul style="list-style-type: none"> The Auditor's findings from the audit of the Company The Auditor's performance, independence and reappointment Compliance with Corporate Governance and regulatory requirements The Annual Report and Financial Statements and recommendation of its approval to the Board following a review and conclusion by the Committee that it is Fair, Balanced and Understandable The Viability Statement, the Fair, Balanced and Understandable Statement and the Going Concern Statement, including any impact of earthquakes in Japan, the war in Ukraine, the Middle East and Red Sea conflicts, significant market events and regulatory changes on the Company's performance, prospects and operations Cybersecurity reporting and the controls in place to mitigate the risks of potential threats and attacks

Annual Report and Financial Statements

The Annual Report and Financial Statements are the responsibility of the Board and the Statement of Directors' Responsibilities is on page 46. The Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise in relation to these and any specific areas which require judgement. The Committee members applied their expertise to consider the fairness, balance and understandability of the Annual Report and Financial Statements taken as a whole and whether they provided the information necessary for shareholders to assess the Company's performance, business model and strategy.

Significant issues considered by the Audit Committee

Summarised below and on the next page are the most significant issues considered by the Committee in respect of these Financial Statements and how these issues were addressed.

<p>Recognition of investment income</p>	<p>Investment income is recognised in accordance with Accounting Policy Note 2 (e) on page 62. The Manager provided detailed revenue forecasts and the Committee reviewed and sought explanations for any significant variances to these forecasts. The Committee also considered the allocation of special dividends between revenue and capital and the reasons for the classification of these special dividends. The Committee reviewed the internal audit and the compliance monitoring reports received from the Manager, including an additional internal controls report (“AAF report”) prepared by PricewaterhouseCoopers LLP on behalf of the Manager, to satisfy itself that adequate systems were in place for properly recording the Company’s investment income. The Committee also reviewed the reports provided by the Auditor on its work on the recognition of investment income, including the allocation of special dividends.</p>
<p>Valuation, existence and ownership of listed investments (including derivatives investments)</p>	<p>The valuation of listed investments (including derivatives investments) is in accordance with Accounting Policy Notes 2 (j) and 2 (k) on pages 63 and 64. The Committee took comfort from the Depository’s regular oversight functions that investment related activities were conducted in accordance with the Company’s investment policy. The Committee received reports from the Manager, the Depository and an additional AAF report prepared by PricewaterhouseCoopers LLP on behalf of the Manager which concluded that controls around the valuation, existence and ownership of investments operate effectively. The Committee also reviewed the reports provided by the Auditor on its work on the valuation, existence and ownership of the Company’s investments, including the derivatives investments.</p>
<p>Valuation of the unlisted investments</p>	<p>The Manager as the AIFM, is authorised and responsible for performing the valuation of the assets in the Company’s portfolio, including the unlisted investments. The valuation of unlisted investments is in accordance with Accounting Policy Notes 2 (b) and 2 (j) on pages 61 to 63. The valuation of the unlisted investments is proposed by the Manager’s Fair Value Committee (FVC) to the Audit Committee, who in turn reports these to the Board to ensure that the Directors are satisfied that the process that the FVC adopts in recommending the valuation is rigorous, reasonable and independent. The reporting received from the FVC includes recommendations from Kroll, an external company that provides global financial information and services. It includes detailed input from the Fidelity analysts covering the unlisted companies and also Fidelity’s unlisted investment specialist who provides further insight. The Committee reviews the proposed valuation methodologies for all of the unlisted investments in order to gain comfort on the proposed valuations.</p> <p>In addition, the Auditor reviewed the valuations of the unlisted investments in the Company’s portfolio and reported its findings at the March 2024 Audit Committee meeting.</p>

Independence and Effectiveness of the Audit Process

Ernst & Young LLP acted as the Company’s Auditor for the year ended 31 December 2023.

With regard to the independence of the Auditor, the Committee reviewed:

- The Auditor’s arrangements for managing any conflicts of interest;
- The fact that no non-audit services were provided to the Company in the reporting year and up to the date of this report; and
- The statement by the Auditor that it remains independent within the meaning of the regulations and its professional standards.

With regard to the effectiveness of the audit process, the Committee reviewed:

- The fulfilment by the Auditor of the agreed audit plan, including the audit team and approach to significant risks;
- The audit findings report issued by the Auditor on the audit of the Annual Report and Financial Statements for the year ended 31 December 2023; and
- Feedback from the Manager on the audit of the Company.

The Committee concluded that the Auditor continues to remain independent and the audit process remains effective.

Report of the Audit Committee continued

Auditor's Appointment and Audit Tenure

Ernst & Young LLP was appointed as the Company's Auditor on 24 May 2016 following a formal audit tender process in 2015. The Company will be required to carry out a formal audit tender process in 2025. The Committee has reviewed the Auditor's independence and the effectiveness of the audit process prior to recommending its reappointment for a further year. The Auditor is required to rotate audit partners every five years and this is the first year that the current Audit Partner, Denise Davidson, has been in place. The Committee will continue to review the Auditor's appointment each year to ensure that the Company continues to receive an optimal level of service. There are no contractual obligations that restricts the Company's choice of auditor.

Audit Fees

Fees paid to the Auditor for the audit of the Company's Financial Statements are disclosed in Note 5 on page 66. The audit fee for the reporting year was £53,213 (2022: £47,250).

David Barron

Chairman of the Audit Committee
26 March 2024

Independent Auditor's Report to the Members of Fidelity Japan Trust PLC

Opinion

We have audited the Financial Statements of Fidelity Japan Trust PLC ("the Company") for the year ended 31 December 2023 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet and the related Notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 December 2023 and of its profit for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
- Inspecting the Directors' assessment of going concern, including the revenue and expense forecast, for the period to 31 March 2025 which is at least 12 months from the date of approval of these Financial Statements. In preparing the revenue and expense forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due;
 - Reviewing the factors and assumptions, including the impact of the current economic environment and other significant events that could give rise to market volatility, as applied to the revenue and expense forecast and the liquidity assessment of the investments and determined, through testing of the methodology and calculations, that the methods, inputs and assumptions utilised are appropriate to be able to make an assessment for the Company;
 - Consideration of the mitigating factors included in the revenue and expense forecast that are within the control of the Company. We reviewed the Company's assessment of the liquidity of investments held and evaluated the Company's ability to sell those investments in order to cover the working capital requirements should revenue decline significantly; and
 - Reviewing the Company's going concern disclosures included in the Annual Report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of the Company's going concern assessment process by engaging with the Directors and the Company Secretary to determine if all key factors were considered in their assessment;

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 31 March 2025 which is at least twelve months from the date of approval of these Financial Statements.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Independent Auditor's Report to the Members of Fidelity Japan Trust PLC continued

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> • Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement • Risk of incorrect valuation and resultant impact on the unrealised gains/(losses) of the unlisted investments • Risk of incorrect valuation of the listed investments or ownership of the entire investment portfolio, including derivatives
Materiality	<ul style="list-style-type: none"> • Overall materiality of £2.58m which represents 1% of net asset value of the Company as at 31 December 2023.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the Financial Statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate change

Stakeholders are increasingly interested in how climate change will impact companies. The Company has determined that the impact of climate change could affect the Company's investments and their valuations and potentially shareholder returns. These are explained on page 26 in the principal and emerging risks section, which form part of the "Other information," rather than the audited Financial Statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the Financial Statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the Financial Statements as set out in Note 2(a) and the conclusion that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing. In line with FRS 102 investments are valued at fair value, which for the Company are quoted bid prices for investments in active markets at the balance sheet date and therefore reflect the market participants view of climate change risk on the investments held by the Company. Investments which are unlisted are priced using market-based valuation approaches. We also challenged the Directors' considerations of climate change in their assessment of viability and associated disclosures. Based on our work we have not identified the impact of climate change on the Financial Statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement</p> <p><i>Refer to the Report of the Audit Committee (page 49); Accounting policies (page 62); and Note 3 of the Financial Statements (page 65).</i></p> <p>The Company has reported revenue of £4.22m (2022: £3.21m).</p> <p>During the year, the Company received special dividends amounting to £0.04m (2022: £0.12m), all of which are classified as revenue (2022: £0.07m classified as revenue and £0.05m as capital).</p> <p>There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment.</p> <p>In addition to the above, the Directors are required to exercise judgement in determining whether income received in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement.</p>	<p>We performed the following procedures:</p> <p>We obtained an understanding of the processes and controls surrounding revenue recognition and classification of special dividends by performing walkthrough procedures to evaluate the design and implementation of controls;</p> <p>For all dividends received and accrued, we recalculated the income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend rate as agreed to an independent data vendor. We also agreed all exchange rates to an external source and, for a sample of dividends received and dividends accrued, we agreed amounts to bank statements;</p> <p>For all accrued dividends, we assessed whether the dividend obligations arose prior to 31 December 2023 with reference to an external source;</p> <p>To test completeness of recorded income, we tested that all expected dividends for each of the investee companies held during the year, had been recorded as income with reference to an external source; and</p> <p>For all investments held during the year, we reviewed the type of dividends paid with reference to an external data source to identify those which were special dividends. There were no special dividends above our testing threshold, however, we have randomly selected one and assessed the appropriateness of the Company's classification as either revenue or capital by reviewing the rationale for the underlying distribution.</p>	<p>The results of our procedures identified no material misstatements in relation to the risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement.</p>

Independent Auditor's Report to the Members of Fidelity Japan Trust PLC continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Risk of incorrect valuation and resultant impact on the unrealised gains/(losses) of the unlisted investments</p> <p><i>Refer to the Report of the Audit Committee (page 49); Accounting policies (page 63); and Note 16 of the Financial Statements (page 77).</i></p> <p>At 31 December 2023 the Company held seven unlisted investments with a total value of £16.40m (2022: seven unlisted investments with a total value of £18.93m).</p> <p>We considered that the degree of subjectivity, including the level of management judgement and the risk that the valuation does not reflect the most up to date information, results in a fraud risk over misstatement of the valuation of unlisted investments.</p> <p>The unlisted investments are approved by the Manager's Fair Value Committee and these are reviewed and challenged by the Directors. The Manager engages Kroll to perform a valuation which is then considered by the Manager's Fair Value Committee. The unlisted investment policy applies methodologies consistent with the International Private Equity and Venture Capital Valuation guidelines ("IPEV").</p>	<p>We performed the following procedures:</p> <p>We obtained an understanding of the processes and controls surrounding investment pricing and legal title by performing walkthrough procedures to evaluate the design and implementation of controls;</p> <p>For a sample of unlisted investments held at the year-end, our specialist valuation team reviewed and challenged the valuations. This included:</p> <ul style="list-style-type: none"> • Reviewing the latest valuation papers by Kroll, a third-party service provider; • Assessing whether the valuations have been performed in line with the IPEV guidelines; • Assessing the appropriateness of the data inputs and challenging the assumptions used to support the valuations; and • Assessing other facts and circumstances, such as market movement and comparative information, that could have an impact on the fair market value of the investments; <p>We obtained and assessed valuation papers, including the assumptions and judgements in determining the fair value of the unlisted investments held by the Company at the year-end;</p> <p>Agreed the cost of the purchased and sold unlisted investments to the supporting share purchase and sale agreements, respectively and traced the payments to bank statement;</p> <p>Agreed 100% of exchange rates to a relevant independent data vendor; and</p> <p>We recalculated the unrealised gains/losses on investments as at the year-end using the book-cost reconciliation.</p>	<p>The results of our procedures identified no material misstatements in relation to the risk of incorrect valuation and resultant impact on the unrealised gains/(losses) of the unlisted investments.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Risk of incorrect valuation of the listed investments or ownership of the entire investment portfolio, including derivatives</p> <p><i>Refer to the Report of the Audit Committee (page 49); Accounting policies (pages 63 and 64); and Notes 9 and 10 of the Financial Statements (pages 68 and 69).</i></p> <p>At 31 December 2023, the Company held listed investments with a value of £237.44m (2022: £211.75m). The Company also has net derivative assets amounting to £1.16m (net derivative liabilities 2022: £0.26m).</p> <p>The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or a failure to maintain proper legal title to the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders.</p> <p>The fair value of the listed investments and derivatives is determined using quoted market prices at close of business on the reporting date.</p>	<p>We performed the following procedures:</p> <p>We obtained an understanding of the processes and controls surrounding investment pricing and legal title by performing walkthrough procedures;</p> <p>For all listed investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor. For all derivatives, we compared the market prices of the underlying instrument to an independent pricing vendor and agreed cost price to the Brokers' confirmations. We recalculated the investment and derivative valuations as at the year-end;</p> <p>We inspected the stale pricing report to identify prices that had not changed and verified whether the quoted price is a valid fair value; and</p> <p>We compared the Company's investment holdings at 31 December 2023 to independent confirmations received directly from the Company's Custodian and Depository. We agreed all year-end open derivative positions to confirmations received independently from the Company's Brokers.</p>	<p>The results of our procedures identified no material misstatements in relation to the risk of incorrect valuation of the listed investments or ownership of the entire investment portfolio, including derivatives.</p>

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £2.58m (2022: £2.36m), which is 1% (2022: 1%) of Company's net asset value. We believe that net asset value provides us with materiality aligned to the key measure of Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £1.93m (2022: £1.77m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for investment trusts, we have also applied a separate testing threshold for the revenue column of the Income Statement of £0.16m (2022: £0.12m) being 5% (2022: 5%) of revenue profit before tax.

Independent Auditor's Report to the Members of Fidelity Japan Trust PLC continued

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.13m (2022: £0.12m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report other than the Financial Statements and our Auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 35;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 31;
- Directors' statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities set out on page 35;
- Directors' statement on fair, balanced and understandable set out on page 46;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 26;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 41; and
- The section describing the work of the Audit Committee set out on page 47.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 46, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006, the Association of Investment Companies Code of Corporate Governance, the Association of Investment Companies Statement of Recommended Practice, the Listing Rules, the UK Corporate Governance Code, Section 1158 of the Corporation Tax Act 2010 and The Companies (Miscellaneous Reporting) Regulations 2018.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of Board minutes and the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur by considering the key risks impacting the Financial Statements. We identified a fraud risk with respect to the incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital items in the Income Statement and incorrect valuation and resultant impact on the unrealised gains/(losses) of the unlisted investments. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the Financial Statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the Company on 24 May 2016 to audit the Financial Statements for the year ending 31 December 2016 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 8 years, covering the years ending 31 December 2016 to 31 December 2023.

- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Denise Davidson

Senior Statutory Auditor
For and on behalf of Ernst & Young LLP
Statutory Auditor
London
26 March 2024

Income Statement

for the year ended 31 December 2023

	Notes	Year ended 31 December 2023			Year ended 31 December 2022		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	9	-	12,376	12,376	-	(64,577)	(64,577)
Gains/(losses) on derivative instruments	10	-	14,299	14,299	-	(11,568)	(11,568)
Income	3	4,218	-	4,218	3,209	-	3,209
Investment management fees	4	(344)	(1,018)	(1,362)	(334)	(1,264)	(1,598)
Other expenses	5	(708)	(4)	(712)	(690)	(15)	(705)
Foreign exchange losses		-	(642)	(642)	-	(365)	(365)
Net return/(loss) on ordinary activities before finance costs and taxation		3,166	25,011	28,177	2,185	(77,789)	(75,604)
Finance costs	6	(27)	(106)	(133)	(27)	(106)	(133)
Net return/(loss) on ordinary activities before taxation		3,139	24,905	28,044	2,158	(77,895)	(75,737)
Taxation on return/(loss) on ordinary activities	7	(347)	-	(347)	(260)	-	(260)
Net return/(loss) on ordinary activities after taxation for the year		2,792	24,905	27,697	1,898	(77,895)	(75,997)
Return/(loss) per ordinary share	8	2.17p	19.33p	21.50p	1.46p	(60.01p)	(58.55p)

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

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

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

Statement of Changes in Equity

for the year ended 31 December 2023

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total shareholders' funds £'000
Total shareholders' funds at 31 December 2022		34,041	20,722	2,767	46,658	140,511	(8,327)	236,372
Repurchase of ordinary shares	13	-	-	-	(6,276)	-	-	(6,276)
Net return on ordinary activities after taxation for the year		-	-	-	-	24,905	2,792	27,697
Total shareholders' funds at 31 December 2023		34,041	20,722	2,767	40,382	165,416	(5,535)	257,793
Total shareholders' funds at 31 December 2021		34,041	20,722	2,767	46,942	218,406	(10,225)	312,653
Repurchase of ordinary shares	13	-	-	-	(284)	-	-	(284)
Net (loss)/return on ordinary activities after taxation for the year		-	-	-	-	(77,895)	1,898	(75,997)
Total shareholders' funds at 31 December 2022		34,041	20,722	2,767	46,658	140,511	(8,327)	236,372

Balance Sheet

as at 31 December 2023

Company number 2885584

	Notes	2023 £'000	2022 £'000
Fixed assets			
Investments	9	253,843	230,680
Current assets			
Derivative instruments	10	1,216	838
Debtors	11	708	613
Cash collateral held with brokers	16	-	276
Cash at bank		3,073	5,556
		4,997	7,283
Current liabilities			
Derivative instruments	10	(53)	(1,100)
Other creditors	12	(994)	(491)
		(1,047)	(1,591)
Net current assets			
		3,950	5,692
Net assets			
		257,793	236,372
Capital and reserves			
Share capital	13	34,041	34,041
Share premium account	14	20,722	20,722
Capital redemption reserve	14	2,767	2,767
Other reserve	14	40,382	46,658
Capital reserve	14	165,416	140,511
Revenue reserve	14	(5,535)	(8,327)
Total shareholders' funds			
		257,793	236,372
Net asset value per ordinary share			
	15	204.46p	182.24p

The Financial Statements on pages 58 to 78 were approved by the Board of Directors on 26 March 2024 and were signed on its behalf by:

David Graham
Chairman

Notes to the Financial Statements

1 Principal Activity

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

2 Accounting Policies

The Company has prepared its Financial Statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", issued by the Financial Reporting Council (FRC). The Financial Statements have also been prepared in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (SORP) issued by the Association of Investment Companies (AIC) in July 2022. The Company is exempt from presenting a Cash Flow Statement as a Statement of Changes in Equity is presented and substantially all of the Company's investments are highly liquid and are carried at market value.

a) Basis of accounting

The Financial Statements have been prepared on a going concern basis and under the historical cost convention, except for the measurement at fair value of investments and derivative instruments. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence up to 31 March 2025 which is at least twelve months from the date of approval of these Financial Statements. In making their assessment the Directors have reviewed income and expense projections, reviewed the liquidity of the investment portfolio and considered the Company's ability to meet liabilities as they fall due. This conclusion also takes into account the Directors' assessment of the risks faced by the Company as detailed in the Going Concern Statement on page 35.

In preparing these Financial Statements, the Directors have considered the impact of climate change risk as an emerging and principal risk as set out on page 26, and have concluded that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing. In line with FRS 102, investments are valued at fair value, which for the Company are quoted bid prices for investments in active markets at the balance sheet date. Investments which are unlisted are priced using market-based valuation approaches. All investments therefore reflect the market participants view of climate change risk on the investments held by the Company.

The Company's Going Concern Statement in the Directors' Report on page 35 takes account of all events and conditions up to 31 March 2025 which is at least twelve months from the date of approval of these Financial Statements.

b) Significant accounting estimates, assumptions and judgements

The preparation of the Financial Statements requires the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets and liabilities at the reporting date. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates.

The key sources of estimation and uncertainty relate to the fair value of the unlisted investments.

Judgements

The Directors consider whether each fair value is appropriate following detailed review and challenge of the pricing methodology. The judgement applied in the selection of the methodology used (see Note 2(j) below) for determining the fair value of each unlisted investment can have a significant impact upon the valuation.

Estimates

The key estimate in the Financial Statements is the determination of the fair value of the unlisted investments by the Manager's Fair Value Committee (FVC), with support from the external valuer, for detailed review and appropriate challenge by the Directors. This estimate is key as it significantly impacts the valuation of the unlisted investments at the Balance Sheet date. When no recent primary or secondary transaction in the company's shares have taken place, the fair valuation process involves estimation using subjective inputs that are unobservable (for which market data is unavailable). The estimates involved in the valuation process may include the following:

- (i) The selection of appropriate comparable companies. Comparable companies are chosen on the basis of their business characteristics and growth patterns;
- (ii) The selection of a revenue metric (either historical or forecast);
- (iii) The selection of an appropriate illiquidity discount factor to reflect the reduced liquidity of unlisted companies versus their listed peers;
- (iv) The estimation of the likelihood of a future exit of the position through an initial public offering (IPO) or a company sale;
- (v) The selection of an appropriate industry benchmark index to assist with the valuation; and

Notes to the Financial Statements continued

2 Accounting Policies continued

(vi) The calculation of valuation adjustments derived from milestone analysis (i.e. incorporating operational success against the plans/forecasts of the business into the valuation).

As the valuation outcomes may differ from the fair value estimates a price sensitivity analysis is provided in Other Price Risk Sensitivity in Note 16 below to illustrate the effect on the Financial Statements of an over or under estimation of fair value.

The risk of an over or under estimation of fair value is greater when methodologies are applied using more subjective inputs.

Assumptions

The determination of fair value by the FVC involves key assumptions dependent upon the valuation techniques used. The valuation process recognises that the price of a recent investment may be an appropriate starting point for estimating fair value. The Multiples approach involves subjective inputs and therefore presents a greater risk of over or under estimation, particularly in the absence of a recent transaction.

c) Segmental reporting

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

d) Presentation of the Income Statement

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

e) Income

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

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

f) Investment management fees and other expenses

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

- The base investment management fee is allocated 20% to revenue and 80% to capital to reflect the Company's focus on capital growth to generate returns;
- The variable investment management fee is charged/credited to capital, as it is based on the performance of the net asset value per share relative to the Reference Index; and
- All other expenses are allocated in full to revenue with the exception of those directly attributable to share issues or other capital events.

g) Functional currency and foreign exchange

The functional and reporting currency of the Company is UK sterling, which is the currency of the primary economic environment in which the Company operates. Although the Company invests in yen denominated investments, it has been determined that the functional currency is UK sterling as the entity is listed on a sterling stock exchange in the UK, and its share capital is denominated and its expenses are paid in UK sterling. Transactions denominated in foreign currencies are reported in UK sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the Balance Sheet date. Foreign exchange gains and losses arising on translation are recognised in the Income Statement as a revenue or a capital item depending on the nature of the underlying item to which they relate.

h) Finance costs

Finance costs comprises interest on bank overdrafts and collateral and finance costs paid on long CFDs, which are accounted for on an accruals basis. Finance costs are allocated 20% to revenue and 80% to capital to reflect the Company's focus on capital growth to generate returns.

2 Accounting Policies continued

i) Taxation

The taxation charge represents the sum of current taxation and deferred taxation.

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

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

j) Investments

The Company's business is investing in financial instruments with a view to profiting from their total return in the form of income and capital growth. This portfolio of investments is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided on that basis to the Company's Board of Directors. Investments are measured at fair value with changes in fair value recognised in profit or loss, in accordance with the provisions of both Section 11 and Section 12 of FRS 102. The fair value of investments is initially taken to be their cost and is subsequently measured as follows:

- Listed investments are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed; and
- Investments which are not quoted, or are not frequently traded, are stated at the best estimate of fair value. The Manager's Fair Value Committee (FVC), which is independent of the Portfolio Manager's team, and with support from the external valuer and Fidelity's unlisted investments specialist, provides recommended fair values to the Directors. These are based on the principles outlined in Note 2 (b). The unlisted investments are valued at fair value following a detailed review and appropriate challenge by the Directors of the pricing methodology used by the FVC.

The techniques applied by the FVC when valuing the unlisted investments are predominantly market-based approaches. The market-based approaches are set out below and are followed by an explanation of how they are applied to the Company's unlisted portfolio:

- Multiples;
- Industry Valuation Benchmarks; and
- Available Market Prices.

The nature of the unlisted investment will influence the valuation technique applied. The valuation approach recognises that the price of a recent investment, if resulting from an orderly transaction, generally represents fair value as at the transaction date and may be an appropriate starting point for estimating fair value at subsequent measurement dates. However, consideration is given to the facts and circumstances as at the subsequent measurement date, including changes in the market or performance of the investee company. Milestone analysis is used where appropriate to incorporate the operational progress of the investee company into the valuation. Consideration is also given to the input received from the Fidelity analyst that covers the company, Fidelity's unlisted investments specialist and an external valuer. Additionally, the background to the transaction must be considered. As a result, various multiples-based techniques are employed to assess the valuations particularly in those companies with established revenues. An absence of relevant industry peers may preclude the application of the Industry Valuation Benchmarks technique and an absence of observable prices may preclude the Available Market Prices approach.

The unlisted investments are valued according to a three month cycle of measurement dates. The fair value of the unlisted investments will be reviewed before the next scheduled three monthly measurement date on the following occasions:

- At the year end and half year end of the Company; and
- Where there is an indication of a change in fair value (commonly referred to as 'trigger' events).

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

Notes to the Financial Statements continued

2 Accounting Policies continued

k) Derivative instruments

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

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

l) Debtors

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

m) Cash collateral held with brokers

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

n) Other creditors

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

o) Other reserve

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

p) Capital reserve

The following are accounted for in the capital reserve:

- Gains and losses on the disposal of investments and derivative instruments;
- Changes in the fair value of investments and derivative instruments held at the year end;
- Foreign exchange gains and losses of a capital nature;
- Dividends receivable which are capital in nature;
- 80% of base investment management fees and finance costs;
- Variable investment management fees; and
- Other expenses which are capital in nature.

Technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/17BL, guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006, states that changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms at the Balance Sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as capital reserve in the Statement of Changes in Equity and the Balance Sheet. At the Balance Sheet date, the portfolio of the Company consisted of investments listed on a recognised stock exchange and derivative instruments contracted with counterparties having an adequate credit rating, and the portfolio was considered to be readily convertible to cash, with the exception of the level 3 investments which had unrealised investment holding losses of £5,630,000 (2022: losses of £1,635,000). See Note 16 on pages 76 and 77 for further details on the level 3 investments.

3 Income

	Year ended 31.12.23 £'000	Year ended 31.12.22 £'000
Investment income		
Overseas dividends	3,475	2,625
Derivative income		
Dividends received on long CFDs	743	584
Total income	4,218	3,209

No special dividends have been recognised in capital during the reporting year (2022: £47,000).

4 Investment Management Fees

	Year ended 31 December 2023			Year ended 31 December 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fees - base	344	1,377	1,721	334	1,336	1,670
Investment management fees - variable ¹	-	(359)	(359)	-	(72)	(72)
	344	1,018	1,362	334	1,264	1,598

¹ For the calculation of the variable management fee element, the Company's NAV return was compared to the Reference Index return on a daily basis. The period used to assess the performance is on a rolling three year basis.

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

FIL charges base investment management fees at an annual rate of 0.70% of net assets. In addition, there is a +/- 0.20% variation fee based on performance relative to the Reference Index over a three year rolling period. Fees are payable monthly in arrears and are calculated on a daily basis.

The base investment management fee has been allocated 80% to capital reserve in accordance with the Company's accounting policies.

Further details of the terms of the Management Agreement are given in the Directors' Report on page 35.

Notes to the Financial Statements continued

5 Other Expenses

	Year ended 31.12.23 £'000	Year ended 31.12.22 £'000
Allocated to revenue:		
AIC fees	18	20
Secretarial and administration fees payable to the Investment Manager	50	50
Custody fees	13	19
Depository fees	24	23
Directors' expenses	43	29
Directors' fees ¹	160	131
Legal and professional fees	70	82
Marketing expenses	166	177
Printing and publication expenses	61	70
Registrars' fees	33	30
Other expenses	17	12
Fees payable to the Company's Independent Auditor for the audit of the Financial Statements	53	47
	708	690
Allocated to capital:		
Legal and professional fees - unlisted investments	4	15
Other expenses	712	705

¹ Details of the breakdown of Directors' fees are provided in the Directors' Remuneration Report on page 44.

6 Finance Costs

	Year ended 31 December 2023			Year ended 31 December 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest paid on long CFDs	24	94	118	24	94	118
Interest paid on collateral and deposits ¹	3	12	15	3	12	15
	27	106	133	27	106	133

¹ Due to negative interest rates during the current and prior year, the Company paid interest on its collateral and deposits.

Finance costs have been allocated 80% to capital reserve in accordance with the Company's accounting policies.

7 Taxation on Return/(Loss) on Ordinary Activities

	Year ended 31.12.23 £'000	Year ended 31.12.22 £'000
a) Analysis of the taxation charge for the year		
Overseas taxation	347	260
Taxation charge for the year (see Note 7b)	347	260

b) Factors affecting the taxation charge for the year

The taxation charge for the year is lower than the standard rate of UK corporation tax for an investment trust company of 25.00% (2022: 19.00%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

	Year ended 31.12.23 £'000	Year ended 31.12.22 £'000
Net return/(loss) on ordinary activities before taxation	28,044	(75,737)
Net return/(loss) on ordinary activities before taxation multiplied by the blended rate of UK corporation tax of 23.52% (2022: 19.00%)	6,596	(14,390)
Effects of:		
Capital (gains)/losses not taxable ¹	(6,123)	14,537
Income not taxable	(817)	(499)
Expenses not deductible	23	19
Excess management expenses not utilised	321	333
Overseas taxation	347	260
Taxation charge for the year (see Note 7a)	347	260

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

c) Deferred taxation

A deferred taxation asset of £8,886,000 (2022: £8,544,000), in respect of excess expenses of £35,543,000 (2022: £34,176,000) has not been recognised as it is unlikely that there will be sufficient future profits to utilise these expenses.

The UK corporation tax rate increased from 19.00% to 25.00% from 1 April 2023. The rate of 25.00% has been applied to calculate the unrecognised deferred tax asset for the current year (2022: 25.00%).

Notes to the Financial Statements continued

8 Return/(loss) per Ordinary Share

	Year ended 31.12.23	Year ended 31.12.22
Revenue return per ordinary share	2.17p	1.46p
Capital return/(loss) per ordinary share	19.33p	(60.01p)
Total return/(loss) per ordinary share	21.50p	(58.55p)

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

	£'000	£'000
Net revenue return on ordinary activities after taxation	2,792	1,898
Net capital return/(loss) on ordinary activities after taxation	24,905	(77,895)
Net total return/(loss) on ordinary activities after taxation	27,697	(75,997)
	Number	Number
Weighted average number of ordinary shares held outside of Treasury	128,843,583	129,812,318

9 Investments

	2023 £'000	2022 £'000
Listed investments	237,440	211,747
Unlisted investments	16,403	18,933
Investments at fair value	253,843	230,680
Opening book cost	242,067	265,540
Opening investment holding (losses)/gains	(11,387)	42,198
Opening fair value	230,680	307,738
Movements in the year		
Purchases at cost	158,947	153,886
Sales - proceeds	(148,160)	(166,367)
Gains/(losses) on investments	12,376	(64,577)
Closing fair value	253,843	230,680
Closing book cost	244,383	242,067
Closing investment holding gains/(losses)	9,460	(11,387)
Closing fair value	253,843	230,680

The Company received £148,160,000 (2022: £166,367,000) from investments sold in the year. The book cost of these investments when they were purchased was £156,631,000 (2022: £177,359,000). These investments have been revalued over time and until they were sold any unrealised gains/(losses) were included in the fair value of the investments.

9 Investments continued

Investment transaction costs

Transaction cost incurred in the acquisition and disposal of investments, which are included in the gains/(losses) on investments above, were as follows:

	Year ended 31.12.23 £'000	Year ended 31.12.22 £'000
Purchases transaction costs	57	61
Sales transaction costs	63	59
	120	120

The portfolio turnover for the year was 63.6% (2022: 68.9%). The portfolio turnover rate measures the Company's trading activity. It is calculated by taking the average of the total amount of securities purchased and the total amount of the securities sold in the reporting year divided by the average fair value of the investment portfolio of the Company.

10 Derivative Instruments

	Year ended 31.12.23 £'000	Year ended 31.12.22 £'000
Gains/(losses) on derivative instruments		
Gains/(losses) on long CFD positions closed	12,874	(11,017)
Movement in investment holding gains/(losses) on long CFDs	1,425	(551)
	14,299	(11,568)

Derivative instruments recognised on the Balance Sheet

	2023		2022	
	Fair value £'000	Portfolio exposure £'000	Fair value £'000	Portfolio exposure £'000
Derivative instrument assets - long CFDs	1,216	41,568	838	24,704
Derivative instrument liabilities - long CFDs	(53)	21,953	(1,100)	30,162
	1,163	63,521	(262)	54,866

11 Debtors

	2023 £'000	2022 £'000
Securities sold for future settlement	361	300
Accrued income	249	193
Other debtors and prepayments	98	120
	708	613

12 Other Creditors

	2023 £'000	2022 £'000
Securities purchased for future settlement	438	164
Creditors and accruals	285	327
Amounts payable for repurchase of shares	271	-
	994	491

Notes to the Financial Statements continued

13 Share Capital

	2023		2022	
	Number of shares	Nominal value £'000	Number of shares	Nominal value £'000
Issued, allotted and fully paid				
Ordinary shares of 25 pence each held outside of Treasury				
Beginning of the year	129,701,893	32,425	129,876,894	32,469
Ordinary shares repurchased into Treasury	(3,615,644)	(904)	(175,001)	(44)
End of the year	126,086,249	31,521	129,701,893	32,425
Issued, allotted and fully paid				
Ordinary shares of 25 pence each held in Treasury¹				
Beginning of the year	6,459,802	1,616	6,284,801	1,572
Ordinary shares repurchased into Treasury	3,615,644	904	175,001	44
End of the year	10,075,446	2,520	6,459,802	1,616
Total share capital		34,041		34,041

¹ Ordinary shares held in Treasury carry no rights to vote, to receive a dividend or to participate in a winding up of the Company.

The Company repurchased 3,615,644 ordinary shares (2022: 175,001 shares) and held them in Treasury. The £6,276,000 (2022: £284,000) cost of repurchase was charged to the other reserve.

14 Capital and Reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total shareholders' funds £'000
At 1 January 2023	34,041	20,722	2,767	46,658	140,511	(8,327)	236,372
Gains on investments (see Note 9)	-	-	-	-	12,376	-	12,376
Gains on derivative instruments (see Note 10)	-	-	-	-	14,299	-	14,299
Foreign exchange losses	-	-	-	-	(642)	-	(642)
Investment management fees (see Note 4)	-	-	-	-	(1,018)	-	(1,018)
Other expenses (see Note 5)	-	-	-	-	(4)	-	(4)
Finance costs (see Note 6)	-	-	-	-	(106)	-	(106)
Revenue return on ordinary activities after taxation for the year	-	-	-	-	-	2,792	2,792
Repurchase of ordinary shares (see Note 13)	-	-	-	(6,276)	-	-	(6,276)
At 31 December 2023	34,041	20,722	2,767	40,382	165,416	(5,535)	257,793

14 Capital and Reserves continued

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total shareholders' funds £'000
At 1 January 2022	34,041	20,722	2,767	46,942	218,406	(10,225)	312,653
Losses on investments (see Note 9)	-	-	-	-	(64,577)	-	(64,577)
Losses on derivative instruments (see Note 10)	-	-	-	-	(11,568)	-	(11,568)
Foreign exchange losses	-	-	-	-	(365)	-	(365)
Investment management fees (see Note 4)	-	-	-	-	(1,264)	-	(1,264)
Other expenses (see Note 5)	-	-	-	-	(15)	-	(15)
Finance costs (see Note 6)	-	-	-	-	(106)	-	(106)
Revenue return on ordinary activities after taxation for the year	-	-	-	-	-	1,898	1,898
Repurchase of ordinary shares (see Note 13)	-	-	-	(284)	-	-	(284)
At 31 December 2022	34,041	20,722	2,767	46,658	140,511	(8,327)	236,372

The capital reserve balance at 31 December 2023 includes investment holding gains of £9,460,000 (2022: losses of £11,387,000) as detailed in Note 9. See Note 2 (p) for further details. The capital reserve is distributable by way of dividend. The revenue reserve could be distributed by way of dividend if it were not in deficit.

15 Net Asset Value per Ordinary Share

The calculation of the net asset value per ordinary share is based on the total shareholders' funds divided by the number of ordinary shares held outside of Treasury.

	2023	2022
Total shareholders' funds	£257,793,000	£236,372,000
Ordinary shares held outside of Treasury at the year end	126,086,249	129,701,893
Net asset value per ordinary share	204.46p	182.24p

It is the Company's policy that shares held in Treasury will only be reissued at net asset value per ordinary share or at a premium to net asset value per ordinary share and, therefore, shares held in Treasury have no dilutive effect.

16 Financial Instruments

Management of Risk

The Company's investment activities in pursuit of its objective involve certain inherent risks. The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the internal control process, identifies the risks that the Company faces. Principal risks identified are: geopolitical; natural disaster; market, economic and currency; investment performance and gearing; discount control and demand; key person; Environment, Social and Governance (ESG); business continuity; cybercrime and information security. Other risks identified are tax and regulatory. Risks are identified and graded in this process, together with steps taken in mitigation, and are updated and reviewed on an ongoing basis. These risks and how they are identified, evaluated and managed are shown in the Strategic Report on pages 26 to 30.

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

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

Notes to the Financial Statements continued

16 Financial Instruments continued

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

MARKET PRICE RISK

Interest rate risk

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

Interest rate risk exposure

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

	2023 £'000	2022 £'000
Exposure to financial instruments that bear interest		
Long CFDs – Portfolio exposure less fair value	62,358	55,128
	62,358	55,128
Exposure to financial instruments that earn interest		
Cash collateral held with brokers	–	276
Cash at bank	3,073	5,556
	3,073	5,832
Net exposure to financial instruments that bear interest	59,285	49,296

Foreign currency risk

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

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

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

16 Financial Instruments continued

Currency exposure of financial assets

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

Currency	Investments held at fair value £'000	Long exposure to derivative instruments £'000	Debtors £'000	Cash at bank £'000	2023
					Total £'000
Japanese yen	253,843	63,521	610	2,950	320,924
UK sterling	-	-	98	123	221
	253,843	63,521	708	3,073	321,145

Currency	Investments held at fair value £'000	Long exposure to derivative instruments £'000	Debtor ¹ £'000	Cash at bank £'000	2022
					Total £'000
Japanese yen	230,680	54,866	769	5,556	291,871
UK sterling	-	-	120	-	120
	230,680	54,866	889	5,556	291,991

¹ Debtors include cash collateral held with brokers.

Currency exposure of financial liabilities

The currency profile of the Company's financial liabilities is shown below:

Currency	2023 Other creditors £'000	2022 Other creditors £'000
Japanese yen	439	165
UK sterling	555	326
	994	491

Notes to the Financial Statements continued

16 Financial Instruments continued

Other price risk

Other price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Board meets quarterly to consider the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective. The Portfolio Manager is responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk/reward profile. Other price risks arising from derivative positions, mainly due to the underlying exposures, are estimated using Value at Risk and Stress Tests as set out in the Company's internal Risk Management Process Document.

Liquidity risk

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

Liquidity risk exposure

At 31 December 2023, the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of £53,000 (2022: £1,100,000) and other creditors of £994,000 (2022: £491,000).

Counterparty risk

Certain derivative instruments in which the Company may invest are not traded on an exchange but instead will be traded between counterparties based on contractual relationships, under the terms outlined in the International Swaps and Derivatives Association's (ISDA) market standard derivative legal documentation. These are known as Over the Counter (OTC) trades. As a result, the Company is subject to the risk that a counterparty may not perform its obligations under the related contract. In accordance with the risk management process which the Investment Manager employs, this risk is minimised by only entering into transactions with counterparties which are believed to have an adequate credit rating at the time the transaction is entered into, by ensuring that formal legal agreements covering the terms of the contract are entered into in advance, and through adopting a counterparty risk framework which measures, monitors and manages counterparty risk by the use of internal and external credit agency ratings and by evaluating derivative instrument credit risk exposure.

Cash collateral

For derivative transactions, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 December 2023, £1,775,000 (2022: £nil) was held by the brokers in cash denominated in Japanese yen in a segregated collateral account on behalf of the Company, to reduce the credit risk exposure of the Company's net unrealised profits on derivative positions. This collateral comprised: J.P. Morgan Securities plc £574,000 (2022: £nil) and UBS AG £1,201,000 (2022: £nil). At 31 December 2023, there were no amounts held by the Company at futures clearing houses and brokers on the Balance Sheet, to reduce the credit risk exposure of the Company's net unrealised losses on derivative positions (2022: £276,000). In the year to 31 December 2022, this collateral comprised: J.P. Morgan Securities plc £276,000 in cash denominated in Japanese yen.

Credit risk

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

Derivative instrument risk

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

16 Financial Instruments continued

RISK SENSITIVITY ANALYSIS

Interest rate risk sensitivity analysis

Based on the financial instruments held and interest rates at 31 December 2023, an increase of 0.25% in interest rates throughout the year, with all other variables held constant, would have decreased the Company's net return on ordinary activities after taxation for the year and decreased the Company's net assets by £148,000 (2022: increased the net loss and decreased the net assets by £123,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis

Based on the financial instruments held and currency exchange rates at 31 December 2023, a 10% strengthening of the sterling exchange rate against the yen, with all other variables held constant, would have decreased the Company's net return on ordinary activities after taxation for the year and decreased the Company's net assets by £29,134,000 (2022: increased the net loss and decreased the net assets by £26,518,000). A 10% weakening of the sterling exchange rate against the yen would have increased the Company's net return on ordinary activities after taxation for the year and increased the Company's net assets by £35,609,000 (2022: decreased the net loss and increased the net assets by £32,411,000).

Other price risk – exposure to investments sensitivity analysis

Based on the listed investments held and share prices at 31 December 2023, an increase of 10% in share prices, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the Company's net assets by £23,744,000 (2022: decreased the net loss and increased the net assets by £21,175,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Based on the unlisted investments held and share prices at 31 December 2023, an increase of 10% in share prices, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the Company's net assets by £1,640,000 (2022: decreased the net loss and increased the net assets by £1,893,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Other price risk – net exposure to derivative instruments sensitivity analysis

Based on the long CFDs held and share prices at 31 December 2023, an increase of 10% in the share prices underlying the long CFDs, with all other variables held constant, would have increased the Company's net return on ordinary activities after taxation for the year and increased the Company's net assets by £6,352,000 (2022: decreased the net loss and increased the net assets by £5,487,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Fair Value of Financial Assets and Liabilities

Financial assets and liabilities are stated in the Balance Sheet at values which are not materially different to their fair values. As explained in Notes 2 (j) and (k), investments and derivative instruments are shown at fair value. In the case of cash at bank, book value approximates to fair value due to the short maturity of the instruments.

Notes to the Financial Statements continued

16 Financial Instruments continued

Fair Value Hierarchy

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

Classification	Input
Level 1	Valued using quoted prices in active markets for identical assets
Level 2	Valued by reference to inputs other than quoted prices included in level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly
Level 3	Valued by reference to valuation techniques using inputs that are not based on observable market data

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. The valuation techniques used by the Company are explained in Notes 2 (j) and (k). The table below sets out the Company's fair value hierarchy:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2023 Total £'000
Financial assets at fair value through profit or loss				
Investments	237,440	-	16,403	253,843
Derivative instrument assets	-	1,216	-	1,216
	237,440	1,216	16,403	255,059
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	-	(53)	-	(53)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2022 Total £'000
Financial assets at fair value through profit or loss				
Investments	211,747	-	18,933	230,680
Derivative instrument assets	-	838	-	838
	211,747	838	18,933	231,518
Financial liabilities at fair value through profit or loss				
Derivative instrument liabilities	-	(1,100)	-	(1,100)

16 Financial Instruments continued

The table below sets out the fair value of the level 3 financial instruments, all of which are unlisted investments:

Name	Business	Book cost £'000	2023 Level 3 £'000	2022 Level 3 £'000
Asoview	Online booking website for leisure facilities	6,602	5,740	6,872
GO Inc	Japan's largest ride-hailing company	2,378	2,487	-
iYell	Mortgage Fintech company	2,641	2,189	2,469
Studyplus	Online educational company	2,257	2,110	2,402
Moneytree	Developer of personal asset management applications	3,016	1,832	2,564
Yoriso	Online funeral planning platform	2,627	1,034	2,516
Spiber	Bio-tech company	2,512	1,011	1,823
Innophys	Developer of elderly care and welfare equipment	-	-	287
End of the year		22,033	16,403	18,933

The valuation of GO Inc at 31 December 2023 is based on the cost of the investment when it was purchased in November 2023 with consideration given to the company's financial reports, the macro-environment and benchmarking the position to a range of comparable market data.

The valuation of all the other unlisted investments at 31 December 2023 is based on the analysis of the company's financial reports, the macro-environment and benchmarking the position to a range of comparable market data. For more details on the technique applied to the value of unlisted investments, see Note 2 (j) in the Accounting Policies section.

	Year ended 31.12.23 Level 3 £'000	Year ended 31.12.22 Level 3 £'000
Movements in level 3 financial instruments during the year:		
Beginning of the year	18,933	17,201
Purchases at cost	2,378	2,257
Sales proceeds - Innophys	(274)	-
Sales loss - Innophys	(639)	-
Movement in investment holding losses (including foreign exchange movement)	(3,995)	(525)
End of the year	16,403	18,933

17 Capital Resources and Gearing

The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital and reserves, as disclosed in the Balance Sheet on page 60, and its gearing which is achieved through the use of long CFDs. Financial resources are managed in accordance with the Company's investment policy and in pursuit of its objective, both of which are detailed in the Strategic Report on pages 25 and 26. The principal risks and their management are disclosed in the Strategic Report on pages 26 to 30 and in Note 16.

Notes to the Financial Statements continued

18 Transactions with the Manager and Related Parties

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

Details of the current fee arrangements are given in the Directors' Report on page 35 and in Note 4. During the year, fees for portfolio management services of £1,362,000 (2022: £1,598,000) and secretarial and administration fees of £50,000 (2022: £50,000) were payable to FIL. At the Balance Sheet date, net fees for portfolio management services of £106,000 (2022: £102,000) and secretarial and administration fees of £13,000 (2022: £13,000) were accrued and included in other creditors. FIL also provides the Company with marketing services. The total amount payable for these services during the year was £166,000 (2022: £177,000). At the Balance Sheet date, marketing services of £18,000 (2022: £39,000) were accrued and included in other creditors.

Disclosures of the Directors' interests in the ordinary shares of the Company and Directors' fees and taxable expenses relating to reasonable travel expenses paid to the Directors are given in the Directors' Remuneration Report on pages 44 and 45. In addition to the fees and taxable expenses disclosed in the Directors' Remuneration Report, £14,000 (2022: £13,000) of Employers' National Insurance Contributions was also paid by the Company. As at 31 December 2023, Directors' fees of £18,000 (2022: £10,000) were accrued and payable.

Alternative Performance Measures

Discount/Premium

The discount/premium is considered to be an Alternative Performance Measure. It is the difference between the NAV per ordinary share of the Company and the ordinary share price and is expressed as a percentage of the NAV per ordinary share. Details of the Company's discount are on the Financial Highlights page and are both defined in the Glossary of Terms on page 88 and on page 89.

Gearing

Gearing is considered to be an Alternative Performance Measure. See the Fair Value and Portfolio Exposure of Investments table on page 15 for details of the Company's gearing. Gearing is defined in the Glossary of Terms on page 88.

Net Asset Value (NAV) per Ordinary Share

The NAV per ordinary share is considered to be an Alternative Performance Measure. See the Balance Sheet on page 60 and Note 15 on page 71 for further details.

Ongoing Charges Ratio

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

	2023	2022
Investment management fees (£'000)	1,721	1,670
Other expenses (£'000)	712	705
Ongoing charges (£'000)	2,433	2,375
Variable management fee (£'000)	(359)	(72)
Average net assets (£'000)	245,972	238,468
Ongoing charges ratio	0.99%	0.99%
Ongoing charges ratio including variable management fee	0.84%	0.96%

Revenue, Capital and Total Return per Ordinary Share

Revenue, capital and total returns per ordinary share are considered to be Alternative Performance Measures. See the Income Statement on page 58 and Note 8 on page 68 for further details.

Total Return Performance

Total return performance is considered to be an Alternative Performance Measure.

The tables below provide information relating to the NAV per ordinary share and the ordinary share price of the Company, the impact of the dividend reinvestments and the total returns for the years ended 31 December 2023 and 31 December 2022.

	Net asset value per ordinary share	Ordinary share price
2023		
31 December 2022	182.24p	164.75p
31 December 2023	204.46p	185.00p
Total return for the year	+12.2%	+12.3%

	Net asset value per ordinary share	Ordinary share price
2022		
31 December 2021	240.73p	229.00p
31 December 2022	182.24p	164.75p
Total return for the year	-24.3%	-28.1%

Financial Calendar and Annual General Meeting

The key dates in the Company's calendar are:

31 December 2023	Financial Year End
March 2024	Announcement of the annual results for the year ended 31 December 2023
April 2024	Publication of the Annual Report
22 May 2024	Annual General Meeting
30 June 2024	Half-Year End
July/August 2024	Announcement of the Half-Yearly results for the six months to 30 June 2024
August 2024	Publication of the Half-Yearly Report

ANNUAL GENERAL MEETING (AGM) – WEDNESDAY, 22 MAY 2024 AT 12 NOON

The AGM of the Company will be held at **12 noon** on **Wednesday, 22 May 2024** at 4 Cannon Street, London EC4M 5AB (nearest tube stations are St. Paul's or Mansion House) and virtually via the online Lumi AGM meeting platform. Full details of the meeting are given in the Notice of Meeting on pages 81 to 84.

For those shareholders who would prefer not to attend in person, we will live-stream the formal business and presentations of the meeting online.

Nicholas Price, the Portfolio Manager, will be making a presentation to shareholders highlighting the achievements and challenges of the year past and the prospects for the year to come. He and the Board will be very happy to answer any questions that shareholders may have. Copies of the Portfolio Manager's presentation can be requested by email at investmenttrusts@fil.com or in writing to the Company Secretary at FIL Investments International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Properly registered shareholders joining the AGM virtually will be able to vote on the proposed resolutions. Please see Note 9 to the Notes to the Notice of Meeting on page 83 for details on how to vote virtually. Investors viewing the AGM online will be able to submit live written questions to the Board and the Portfolio Manager and these will be addressed on their behalf at an appropriate juncture during the meeting.

Further information and links to the Lumi platform may be found on the Company's website www.fidelity.co.uk/japan. On the day of the AGM, in order to join electronically and ask questions via the Lumi platform, shareholders will need to connect to the website <https://web.lumiagm.com>.

Please note that investors on platforms such as Fidelity Personal Investing, Hargreaves Lansdown, Interactive Investor or AJ Bell Youinvest will need to request attendance at the AGM in accordance with the policies of your chosen platform. They may request that you submit electronic votes in advance of the meeting. If you are unable to obtain a unique IVC and PIN from your nominee or platform, we will also welcome online participation as a guest. Once you have accessed <https://web.lumiagm.com> from your web browser on a tablet or computer, you will need to enter the **Lumi Meeting ID** which is **144-545-039**. You should then select the 'Guest Access' option before entering your name and who you are representing, if applicable. This will allow you to view the meeting and ask questions, but you will not be able to vote.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity Japan Trust PLC will be held at 4 Cannon Street, London EC4M 5AB and virtually via the Lumi AGM meeting platform on Wednesday, 22 May 2024 at 12 noon for the following purposes:

1. To receive and adopt the Annual Report and Financial Statements for the year ended 31 December 2023.
2. To re-elect Mr David Graham as a Director.
3. To re-elect Mr David Barron as a Director.
4. To re-elect Ms Myra Chan as a Director.
5. To elect Mr Seiichi Fukuyama as a Director.
6. To re-elect Ms Sarah MacAulay as a Director.
7. To approve the Directors' Remuneration Report (excluding the section headed "The Remuneration Policy" set out on page 43) for the year ended 31 December 2023.
8. To reappoint Ernst & Young LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company.
9. To authorise the Directors to determine the Auditor's remuneration.

To consider and, if thought fit, to pass the following special business resolutions of which Resolution 10 will be proposed as an ordinary resolution and Resolutions 11 and 12 as special resolutions.

Authority to Allot Ordinary Shares and Disapply Pre-Emption Rights

Resolutions 10 and 11 will, if approved, authorise the Directors to allot a limited number of ordinary shares (or to sell any ordinary shares which the Company elects to hold in Treasury) for cash without first offering such shares to existing ordinary shareholders pro-rata to their existing holdings. The limit set by the Board is 5% of the number of ordinary shares of the Company (including Treasury shares) in issue on 26 March 2024. The Directors will only issue new ordinary shares, or dispose of ordinary shares held in Treasury, under this authority to take advantage of opportunities in the market as they arise and only if they believe it is advantageous to the Company's shareholders to do so. Any ordinary shares held in Treasury would only be re-issued at Net Asset Value (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.

10. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any securities into shares in the Company ("relevant securities") up to an aggregate nominal amount of £1,702,021 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 26 March 2024) and so that the Directors may impose any

limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authority to expire at the conclusion of the next Annual General Meeting (AGM) of the Company or the date 15 months after the passing of this resolution, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry as if the authority conferred by this resolution had not expired. All previous unexpired authorities are revoked, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

11. THAT, subject to the passing of Resolution 10, as set out above, the Directors be and they are hereby authorised, pursuant to Sections 570-573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority given by the said Resolution 10 and/or to sell ordinary shares held by the Company as Treasury shares for cash, as if Section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited:
 - a) to the allotment of equity securities or sale of Treasury shares up to an aggregate nominal amount of £1,702,021 (approximately 5% of the aggregate nominal amount of the issued share capital of the Company (including Treasury shares) as at 26 March 2024); and
 - b) by the condition that allotments of equity securities or sales of Treasury shares may only be made pursuant to this authority at a price of not less than the NAV per share,

and this power shall expire at the conclusion of the next AGM of the Company or the date 15 months after the passing of this Resolution, whichever is the earlier, save that this authority shall allow the Company to make offers or agreements before the expiry of this authority, and the Directors may allot equity securities in relation to such an offer or agreement as if the authority conferred by this Resolution had not expired.

Authority to Repurchase Ordinary Shares

Resolution 12 is a special resolution which, if approved, will renew the Company's authority to purchase up to 14.99% of the number of ordinary shares in issue (excluding Treasury shares) at the latest practicable date of the publication of this document, either for immediate cancellation or for retention as Treasury shares, at the determination of the Board. Once shares are held in Treasury, the Directors may only dispose of them in accordance with the relevant legislation by subsequently selling the shares for cash or cancelling the shares. Purchases of ordinary shares will be made at the discretion of the Directors and within guidelines set by them from time to time in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing NAV per share, thereby resulting in an increased NAV per share.

Notice of Meeting continued

12. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 25 pence each ("the shares") in the capital of the Company provided that:
- a) the maximum number of shares hereby authorised to be purchased shall be 18,397,932;
 - b) the minimum price which may be paid for a share is 25 pence;
 - c) the maximum price (excluding expenses) which may be paid for each share is the higher of:
 - i) 5% above the average of the middle market quotations for the shares as derived from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and
 - ii) the higher of the price of the last independent trade and the highest current independent purchase bid on the London Stock Exchange at the time the purchase is carried out;
 - d) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company or the date 15 months after the passing of this resolution, whichever is earlier, unless such authority is renewed prior to such time; and
 - e) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract.

By Order of the Board

FIL Investments International

Secretary

26 March 2024

Notes to the Notice of Meeting:

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy or proxies to attend and to speak and vote instead of him. A member may appoint more than one proxy in relation to the Annual General 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. To appoint a proxy via the share portal at **www.signalshares.com**, you will need to log in to your share portal account or register if you have not previously done so. To register you will need your Investor Code which can be found on your Form of Proxy.
2. A Form of Proxy is enclosed and must be returned to the Registrar at the address on the form to arrive not later than 12 noon on Monday, 20 May 2024. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person or virtually if they so wish.
3. To be effective, the instrument appointing a proxy, and any power of attorney or other authority under which it is signed (or a copy of any such authority certified notarially or in some other way approved by the Directors), must be deposited with the Company's Registrar, PXS 1, Link Group, Central Square, 29 Wellington Street, Leeds LS1 4DL not less than 48 hours before the time for holding the meeting or adjourned meeting or, in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the time appointed for the taking of the poll at which it is to be used (in each case excluding non-business days).
4. In the case of joint holders, the vote of the senior who tenders the vote 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.
5. 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 12 noon on Monday, 20 May 2024. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp 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) of the Uncertified Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrar no later than 12 noon on Monday, 20 May 2024.

6. Proximity Voting – If you are an institutional investor, you may also be able to appoint a proxy electronically via the Proximity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proximity, please go to **www.proximity.io**. Your proxy must be lodged by no later than 12 noon on Monday, 20 May 2024 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process, you will need to have agreed to Proximity’s associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proximity Platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.
7. Unless otherwise indicated on the Form of Proxy, CREST voting, Proximity or any other electronic voting channel instruction, the proxy will vote as they think fit or, at their discretion, withhold from voting.
8. All members are entitled to attend and vote at the AGM and ask questions. The right to vote at the meeting will be determined by reference to the Register of Members as at close of business on Monday, 20 May 2024. Shareholders are urged to vote using the Form of Proxy provided or electronically where permitted by your nominee or platform.
9. The Company is pleased to be able to offer facilities for shareholders to attend, ask questions and vote at the AGM electronically in real time should they wish to do so. The details are set out below.

In order to join the AGM electronically and ask questions via the platform, shareholders will need to connect to the following site **https://web.lumiagm.com**. Lumi is available as a mobile web client, compatible with the latest browser versions of Chrome, Firefox, Edge and Safari and can be accessed using any web browser, on a PC or smartphone device.

Once you have accessed **https://web.lumiagm.com** from your web browser on a tablet or computer, you will be asked to enter the **Lumi Meeting ID** which is **144-545-039**. You will then be prompted to enter your unique 11 digit Investor Code (IVC) including any leading zeros and ‘PIN’. Your PIN is the last 4 digits of your IVC. This will authenticate you as a shareholder.

Your IVC can be found on your share certificate or as detailed on your proxy form. Signal Shares users (**www.signalshares.com**) will find this under ‘Manage your account’ when logged in to the Signal Shares portal. You can also obtain this by contacting Link, our Registrar, by calling **+44 (0) 371 277 1020***

Access to the AGM will be available from **30 minutes before the meeting start time**, although the voting functionality will not be enabled until the Chairman of the meeting declares the poll open. During the AGM, you must ensure you are connected to the internet at all times in order to vote when the Chairman commences polling on the Resolutions. Therefore, it is your responsibility to ensure connectivity for the duration

of the AGM via your wi-fi. A user guide to the Lumi platform is available on the Company’s pages of the Manager’s website at: **www.fidelity.co.uk/japan**.

If you wish to appoint a proxy other than the Chairman of the meeting and for them to attend the virtual meeting on your behalf, please submit your proxy appointment in the usual way before contacting Link Group on **+44 (0) 371 277 1020*** in order to obtain their IVC and PIN. It is suggested that you do this as soon as possible and at least 48 hours (excluding non-business days) before the meeting.

If your shares are held within a nominee/platform and you wish to attend the electronic meeting, you will need to contact your nominee as soon as possible. Your nominee will need to present a corporate letter of representation to Link Group, the Registrar, as soon as possible and at least 72 hours (excluding non-business days) before the meeting, in order that they can obtain for you your unique IVC and PIN to enable you to attend the electronic meeting.

If you are unable to obtain a unique IVC and PIN from your nominee or platform, we will also welcome online participation as a guest. Once you have accessed **https://web.lumiagm.com** from your web browser on a tablet or computer, you will need to enter the **Lumi Meeting ID** which is **144-545-039**. You should then select the ‘Guest Access’ option before entering your name and who you are representing, if applicable. This will allow you to view the meeting and ask questions but you will not be able to vote.

* Lines are open from 09:00 to 17:30 Monday to Friday, excluding public holidays in England and Wales. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate.

10. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a “Nominated Person”) may, under an agreement between him and the member by whom he was nominated, have a right 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 may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in Note 1 above does not apply to Nominated Persons. The right described in that paragraph can only be exercised by members of the Company.
11. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes which are 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% 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

Notice of Meeting continued

otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make separate notification to the Company and the Financial Conduct Authority.

12. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the AGM (and for the purpose of determining the number of votes they may cast), members must be entered on the Register of Members by close of business on Monday, 20 May 2024. If the meeting is adjourned then, to be so entitled, members must be entered on the Register of Members by close of business on the day two days before the time fixed for the adjourned meeting, or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.
13. As at the latest practicable date prior to the publication of this document, the Company's issued share capital consisted of 136,161,695 ordinary shares carrying one vote each. The number of shares held by the Company in Treasury was 13,426,975. Therefore, the total number of shares with voting rights in the Company was 122,734,720.
14. 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.
15. Shareholders and any proxies or representatives they appoint understand that by attending the meeting they are expressly agreeing that they are willing to receive any communications, including communications relating to the Company's securities, made at the meeting.
16. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that is to be laid before the AGM or any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which the Annual Report and Financial Statements were laid. The Company may not require the Shareholders requesting any such website publication to pay its expenses in complying with such requests. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on its website.
17. No Director has a service contract with the Company.
18. A copy of this notice and other information required by Section 311A of the Companies Act 2006 is published on the Company's website at www.fidelity.co.uk/japan.

Shareholder Information

Investing in Fidelity Japan Trust PLC

Fidelity Japan Trust PLC is a company listed on the London Stock Exchange and you can buy its shares through a platform, stockbroker, share shop or bank. Fidelity also offers a range of options, so that you can invest in the way that is best for you. Details of how to invest and the latest Key Information Document can be found on the Company's pages on the Manager's website at: www.fidelity.co.uk/japan

CONTACT INFORMATION

Shareholders and Fidelity Platform Investors should contact the appropriate administrator using the contact details given on this page. Links to the websites of major platforms can be found online at www.fidelity.co.uk/its

Shareholders on the main share register

Contact Link Group, Registrar to Fidelity Japan Trust PLC, Central Square, 29 Wellington Street, Leeds LS1 4DL.

Email: shareholderenquiries@linkgroup.co.uk

Telephone: **0371 664 0300** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

Details of individual shareholdings and other information can also be obtained online from the Registrar's Share Portal at www.signalshares.com. Shareholders are able to manage their shareholding online by registering for the Share Portal, a free and secure online access service. Facilities include:

Account Enquiry – Shareholders can access their personal shareholding, including share transaction history, dividend payment history and obtain an up-to-date shareholding valuation.

Amendment of Standing Data – Shareholders can change their registered postal address and add, change or delete dividend mandate instructions. Shareholders can also download forms such as change of address, stock transfer and dividend mandates as well as buy and sell shares in the Company.

Should you have any queries in respect of the Link Share Portal, contact the helpline on **0371 664 0391** (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).

Fidelity Platform Investors

Contact Fidelity, using the freephone numbers given below, or by writing to: UK Customer Service, Fidelity, PO Box 391, Tadworth KT20 9FU.

Website: www.fidelity.co.uk

Private investors: call free on **0800 41 41 10**, 9:00 – 18:00, Monday to Saturday.

Financial advisers: call free on **0800 41 41 81**, 8:00 – 18:00, 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: **0207 961 4240**

Email: investmenttrusts@fil.com

Website: www.fidelity.co.uk/its

If you hold Fidelity Japan Trust PLC shares in an account provided by Fidelity International, you will receive a report every six months detailing all of your transactions and the value of your shares.

ShareGift

You may donate your shares to charity free of charge through ShareGift. Further details are available at www.sharegift.org.uk.

Shareholder Information continued

Managers and Advisors

Alternative Investment Fund Manager (AIFM/the Manager)

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

Investment 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

Simmons & Simmons LLP
1 Ropemaker Street
London
EC2Y 9SS

Registrar

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Company Information

The Company was launched on 15 March 1994 with one warrant attached to every five shares. The original subscription price was £1 for each ordinary share of 25 pence each. On 11 November 2009, the Company issued subscription shares on a 1 for 5 basis and these were all exercised by 28 February 2014. The Company made another subscription share issue on 26 August 2014 on a 1 for 5 basis and these were all exercised by 29 April 2016.

The Company is a member of the Association of Investment Companies (AIC) from whom general information on investment trusts can be obtained by telephoning **020 7282 5555** (email: enquiries@theaic.co.uk).

Price Information

The share price of the Company is published daily in the Financial Times under the heading "Investment Companies". It is also published in The Times and The Daily Telegraph. Price and performance information is also available at www.fidelity.co.uk/japan.

Investors can also obtain current price information by telephoning Fidelity on **0800 41 41 10** (freephone) or FT Cityline on **0905 817 1690** (voice activated service) (calls are charged at 60p per minute on a per second basis from a BT landline. Charges from other telephone networks may vary). The Reuters code for Fidelity Japan Trust PLC is FJV.L, the SEDOL is 0332855 and the ISIN is GB0003328555.

Net Asset Value (NAV) Information

The NAV of the Company is calculated on a daily basis and released to the London Stock Exchange on a daily basis.

UK Capital Gains Tax

All UK individuals under present legislation are permitted to have £6,000 of capital gains in the current tax year 2023/2024 (2022/2023: £12,300) before being liable for capital gains tax. Capital gains tax is charged at 10% and 20% dependent on the total amount of taxable income.

Data Protection

General Data Protection Regulation (GDPR)

What personal data is collected and how it is used

The Company is an investment trust which is a public limited company and has certain regulatory obligations such as the requirement to send documents to its Shareholders, for example, the Annual Report and other documents that relate to meetings of the Company. The Company will, therefore, collect Shareholders' personal data such as names, addresses and identification numbers or investor codes, and will use this personal data to fulfil its statutory obligations.

Any personal data collected will be kept securely on computer systems and in some circumstances on paper. Personal information is kept secure in line with Fidelity's Information Security policies and standards. If you are unhappy with how we have used your personal data, you can complain by contacting the UK Data Protection Officer at Fidelity International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Sharing personal data

In order to assist the Company in meeting its statutory requirements, the Company delegates certain duties around the processing of this data to its third party service providers, such as the Company's Registrar and Printers. The Company has appointed Fidelity to undertake marketing activities for the Company and their privacy statement can be found on the Company website at <https://investment-trusts.fidelity.co.uk/security-privacy/>

The Company's agreements with the third party service providers have been updated to be compliant with GDPR requirements. The Company confirms to its Shareholders that their data will not be shared with any third party for any other purpose, such as for marketing purposes. In some circumstances, it may be necessary to transfer shareholders' personal data across national borders to Fidelity Group entities operating in the European Economic Area ("EEA"). Where this does occur, the European standard of protections will be applied to the personal data that is processed. Where personal data is transferred within the Fidelity group but outside of the EEA, that data will subsequently receive the same degree of protection as it would in the EEA.

Retention period

Personal data will be kept for as long as is necessary for these purposes and no longer than legally permitted to do so.

Requesting access, making changes to personal data and other important information

Shareholders can access the information that the Company holds about them or ask for it to be corrected or deleted by contacting Fidelity's UK Data Protection Officer, Fidelity International, Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RP.

Glossary of Terms

AAF Report

A report prepared in accordance with the Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales.

AIC

The Association of Investment Companies (AIC). The Company is a member of the AIC.

AIF

Alternative Investment Fund (AIF). The Company is an AIF.

AIFM

Alternative Investment Fund Manager (AIFM). 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 (AIFMD) is a European Union Directive implemented on 22 July 2014.

Alternative Performance Measures

The Company uses the following Alternative Performance Measures which are all defined in this Glossary of Terms:

- Discount/Premium;
- Gearing;
- Net Asset Value (NAV) per Ordinary Share;
- Ongoing Charges Ratio;
- Revenue, Capital and Total Returns; and
- Total Return Performance (Net Asset Value Total Return or Share Price Total Return).

Capital Gains Tax (CGT)

The tax you may have to pay if you sell your shares at a profit.

Collateral

Assets provided as security for the unrealised gain or loss under a Contract for Difference.

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 an 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 collateral. The Company may reason that the asset price will rise, by buying ("long" position) or fall, by selling ("short" position). If the Company holds long positions, dividends are received and interest is paid. If the Company holds short positions, dividends are paid and interest is received. The Company only uses "long" Contract for Difference.

Corporation Tax

The UK tax the Company may have to pay on its profits. As an investment trust company, the Company is exempt from UK corporation tax on its capital gains and does not pay tax on any UK dividends. It can also offset expenses against any taxable income, and consequently it is tax efficient for the Company.

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. The Company's Depository is J.P. Morgan Europe Limited.

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 ordinary share, the Company's shares are said to be trading at a discount. The discount is shown as a percentage of the net asset value per ordinary share.

Fair Value

The fair value is the best measure of the realisable value of the investments, including derivatives, at a point in time and is measured as:

- **Listed investments** – valued at bid prices or last market prices as 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).

Fidelity International (Fidelity)

FIL Limited and its subsidiary group companies including FIL Investment Services (UK) Limited and FIL Investments International which act as AIFM, Secretary and Investment Manager.

Gearing

Gearing is the Total Portfolio Exposure in excess of Shareholders' Funds. 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.

Investment Manager

FIL Investments International under delegation from FIL Investment Services (UK) Limited (the appointed [AIFM](#)).

Independent Valuer

Kroll who provide an objective and independent assessment of value of unlisted and hard to price assets.

Manager

FIL Investment Services (UK) Limited is the appointed [Manager](#) under the [AIFMD](#). It has delegated the portfolio management of assets to the [Investment Manager](#).

Net Assets or Net Asset Value (NAV)

Also described as “Shareholders’ funds”, [net assets](#) represent 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 ordinary share basis.

Net Asset Value per Ordinary Share

The [net asset value](#) divided by the number of ordinary shares in issue.

Ongoing Charges Ratio (excluding the variable management fee element)

Total operational expense (excluding finance costs and taxation) incurred by the Company as a percentage of the average daily [net asset values](#) for the reporting year.

Portfolio Exposure

The value of an underlying security or instrument to which the Company is exposed, whether through direct or indirect investment (including the economic value of the exposure in the underlying asset of [derivatives](#)).

Pre-emption Rights

Section 561 of the Companies Act 2006 provides that a company offering a new issue of shares must first make an offer of these shares, on the same or more favourable terms, in proportion to the nominal value held to existing Shareholders. At each Annual General Meeting, the Board seeks Shareholder approval to disapply [pre-emption rights](#) provision, up to 10% of the Company’s issued share capital.

Premium

If the share price of the Company is higher than the [net asset value per ordinary 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 per ordinary share](#).

Reference Index

TOPIX Total Return Index (in sterling terms). Prior to 22 May 2018 it was the Russell Nomura Mid/Small-Cap Index (in sterling terms). The [Reference Index](#) is the Company’s Benchmark Index.

Registrar

An entity that manages the Company’s shareholders register. The Company’s [Registrar](#) is Link Group.

Reserves

- **Share premium account** represents the amount by which the proceeds from the issue of ordinary shares, on the exercise of rights attached to subscription shares, exceeded the nominal value of those ordinary shares. It is not distributable by way of dividends and cannot be used to fund share repurchases.
- **Capital redemption reserve** maintains the equity share capital of the Company and represents the nominal value of shares repurchased and cancelled. It is not distributable by way of dividends and cannot be used to fund share repurchases.
- **Other reserve** was created in 1999 when the share premium account at the time was cancelled. It is not distributable by way of dividends. It can be used to fund share repurchases.
- **Capital reserve** represents realised gains and losses on investments and derivatives sold, unrealised increases and decreases in the fair value of investments and derivatives held and other income and costs recognised in the capital column of the Income Statement. It can be used to fund repurchases and it is distributable by way of dividends.
- **Revenue reserve** represents retained revenue losses recognised in the revenue column of the Income Statement. It could be distributable by way of dividends if it were not in deficit.

Return

The [return](#) generated in a given period from 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 (Share Buybacks)

A 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 their total shares (up to 14.99%) in the market at prices below the prevailing [net asset value per ordinary share](#). This process is also used to enhance the [net asset value per ordinary share](#) and to reduce the [discount to net asset value per ordinary share](#).

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 as shown in the balance sheet.

Total Portfolio Exposure

The total of fixed asset investments at [fair value](#) plus the [fair value](#) of the underlying securities within the [Contracts for Difference](#).

Glossary of Terms continued

Total Return Performance

The return on the share price or [net asset value per ordinary 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 for additional shares (for share price total return) or in 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 ordinary share](#) calculation.

Alternative Investment Fund Manager's Disclosure

In compliance with the Alternative Investment Fund Manager's Directive (AIFMD), the Board has appointed FIL Investment Services (UK) Limited (FISL) as the Company's Alternative Investment Fund Manager (AIFM). FISL has delegated the portfolio management and company secretarial function to FIL Investments International. Details of the Management Agreement can be found in the Directors' Report on page 35.

The table below and on the next page discloses information required by the Alternative Investment Fund Manager's Regulations 2013.

Function	AIFM Role and Responsibility	AIFMD Disclosure
Investment management	<p>The AIFM provides portfolio management of assets and investment advice in relation to the assets of the Company. It has delegated this function to FIL Investments International.</p> <p>The Board remains responsible for setting the investment strategy, investment policy and investment guidelines and the AIFM operates within these guidelines.</p>	<p>Details of the Company's investment objective, strategy and investment policy, including limits, are on pages 25 and 26.</p>
Risk management	<p>The AIFM has a responsibility for risk management for the Company which is in addition to the Board's corporate governance responsibility for risk management.</p> <p>The Company has a Risk Management Process Document which demonstrates that risk management is separated functionally and hierarchically from operating units and demonstrates independent safeguards. The Manager maintains adequate risk management systems in order to identify, measure and monitor all risks at least annually under the AIFMD. The Manager is responsible for the implementation of various risk activities such as risk systems, risk profile, risk limits and testing.</p> <p>The Board, as part of UK corporate governance, remain responsible for the identification of significant risks and for the ongoing review of the Company's risk management and internal control processes.</p>	<p>The AIFM has an ongoing process for identifying, evaluating and managing the principal risks faced by the Company and this is regularly reviewed by the Board. The Board remains responsible for the Company's system of risk management and internal control, and for reviewing its effectiveness. Further details can be found in the Strategic Report on pages 26 to 30 and in Note 16 to the Financial Statements on pages 71 to 77.</p>
Valuation of illiquid assets	<p>The AIFMD requires the disclosure of the percentage of the Alternative Investment Fund's assets which are subject to special arrangements arising from their illiquid nature and any new arrangements for managing the liquidity of the Company.</p>	<p>As at the date of this report, none of the Company's assets were subject to special arrangements arising from their illiquid nature.</p>

Alternative Investment Fund Manager's Disclosure continued

Function	AIFM Role and Responsibility	AIFMD Disclosure
Leverage	<p>The Company uses leverage to increase its exposure primarily to Japanese stock markets and currently holds derivatives to achieve this. The AIFM has set maximum levels of leverage that are reasonable. It has implemented systems to calculate and monitor compliance against these limits and has ensured that the limits have been complied with at all times.</p> <p>There are two methods of calculating leverage – the Gross Method which does not reduce exposure for hedging; and the Commitment Method which does reduce exposure for hedging.</p>	<p>The maximum leverage limits are 1.80 for the Gross Method of calculating leverage and 1.50 for the Commitment Method.</p> <p>At 31 December 2023, leverage for the Gross Method was 1.24 and for the Commitment Method was 1.25.</p>
Liquidity management	The AIFM, in consultation with the Board, maintains a liquidity management policy which is considered at least annually.	No new arrangements for managing the liquidity of the Company have been made. Further details can be found in Note 16 on page 74.
Remuneration of the AIFM	The AIFM operates under the terms of Fidelity International's Global Remuneration Policy. This ensures that the AIFM complies with the requirements of the FCA's Remuneration Code (SYSC19A); the AIFM Remuneration Code (SYSC19B) and the BIPRU Remuneration Code (SYSC19C).	Details of Fidelity International's Global Remuneration Policy can be found at www.fidelityinternational.com/global/remuneration/default.page

EU Securities Financing Transactions Regulations ("SFTR")

The following disclosure relates to the long contracts for difference ("CFDs") held by the Company which may be considered Total Return Swaps under the SFTR, which came into force on 12 January 2016.

As at 31 December 2023, all CFDs were contracted bilaterally with open maturities:

Broker	Fair Value £000	Percentage of Net Assets	Collateral held by the broker £000	Collateral held by the Company £000
J.P. Morgan Securities plc (UK)	545	0.21%	574	-
UBS AG (UK)	618	0.24%	1,201	-

Collateral held by the broker was denominated in yen and held in a segregated account on behalf of the Company with a maturity of one day. The total return for the year ended 31 December 2023 from CFDs was a gain of £14,924,000.



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