

Fidelity Japanese Values PLC

Annual Report

For the year ended 31 December 2005

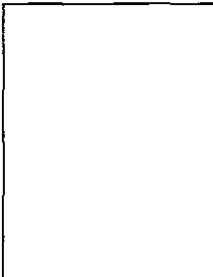
Company number 2885584



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Objective & Highlights



To achieve long-term capital growth from an actively managed portfolio of securities primarily of small and medium-sized Japanese companies listed or traded on Japanese stockmarkets.

William Thomson,
Chairman

"...the NAV rose by 73.4% to 123.56 pence at the year end. Importantly this performance outshone our benchmark index – the Russell Nomura Mid/Small Cap Index – which was up 45.5% and the broader market TOPIX Index – up 40.7%."

Performance

NAV Total Return	+73.4%
Share Price Total Return	+110.9%
Russell Nomura Mid/Small Cap Index	+45.5%
Equity Shareholders' Funds	£121.3m
Market Capitalisation	£127.9m

Capital Structure: Ordinary shares of 25p, 98,207,453 in issue

Standardised Performance (on a total return basis)

	01/01/2001 to 31/12/2001	01/01/2002 to 31/12/2002	01/01/2003 to 31/12/2003	01/01/2004 to 31/12/2004	01/01/2005 to 31/12/2005
NAV (debt at par)	-23.9%	-19.4%	+41.1%	+17.9%	+73.4%
Share price	-35.3%	-15.2%	+45.7%	+21.1%	+110.9%

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

Financial Summary

	2005	2004	% change
Assets at 31 December			
Total assets employed ¹	£137.05m	£86.05m	+59.3
Shareholders' funds	£121.35m	£69.98m	+73.4
Potential gearing	12.9%	23.0%	
Actual gearing	11.5%	22.0%	
NAV per share	123.56p	71.26p	+73.4

Results for year to 31 December – see page 28

Capital return per ordinary share	53.32p	11.73p	
Revenue loss per ordinary share	(1.02)p	(0.89)p	

Stockmarket Data at 31 December

Russell Nomura Mid/Small Cap Index ²	2.345	1.612	+45.5
Yen/£ exchange rate	202.46	197.87	-2.3
Share price year end	130.25p	61.75p	+110.9
high	131.00p	74.75p	
low	61.75p	51.00p	
(Premium)/discount year end	(5.4)%	13.3%	
low	14.8%	15.7%	
high	(5.7)%	4.0%	

Returns for the year to 31 December

Russell Nomura Mid/Small Cap Index ²	+45.5%	+11.0%	
NAV	+73.4%	+17.9%	
Share price	+110.9%	+21.1%	
Total Expense Ratio ³	1.83%	1.83%	

1 total assets less current liabilities, excluding fixed term loan liabilities

2 sterling adjusted

3 operating expenses before tax (excluding interest) based on average daily shareholders' funds

Sources: Fidelity and Datastream

(Past performance is not a guide to future returns)

Chairman's Statement

The Year's Results: NAV 123.56p (+73.4%)

The Share Price and the (Premium)/Discount:

Price: 130.25p (up 68.5p; +110.9%)

(Premium)/Discount: (5.4)% (13.3% in 2004)

PERFORMANCE REVIEW

Given that for most of your Company's life the Net Asset Value (NAV) has been less than the issue price due to the very disappointing performance of the Japanese stock market, it is with some relief that I can report that at last this situation has changed and the NAV rose by 73.4% to 123.56 pence at the year end. Importantly this performance outshone our benchmark index – the Russell Nomura Mid/Small Cap Index – which was up 45.5% and the broader market TOPIX Index – up 40.7%.

By the year end the Company's share price had moved from a discount of 13.3% at the beginning of the year to a premium of 5.4% resulting in a share price increase of 110.9% during the year.

The Company's strong performance benefited from the Manager's bottom-up stock selection. In particular, holdings in the services, information & communication, and electrical machinery sectors contributed to the Company's portfolio returns.

MARKET REVIEW

In 2005, Japan's economy expanded by 2.8% year-on-year. Growth in private consumption and investment drove the momentum. Employment and income trends showed further signs of improvement.

During the latter half of 2005, Japanese equities broke out of the holding formation that had characterised the market since early 2004. Increasing confidence in the health of the domestic economy, Prime Minister Koizumi's dramatic election victory and better than expected corporate results spurred the Tokyo Stock Exchange First Section (TOPIX) to a five-year high. Both the value and volume of shares traded climbed to historical highs, with overseas investors the dominant buyers. Resource related industries performed well with their values rising in line with global commodity prices. Those closely tied to the domestic economy, particularly banks and real estate, also enjoyed significant gains due to rising expectations of a sustainable recovery in domestic demand. Overall small cap stocks performed better than the large cap sector, although large cap stocks rose sharply in the second half of 2005, narrowing the gap.

THE BOARD

As you are aware, Philip Kay and David Miller were both appointed to the Board in October 2004 and, having now completed a full year's service, have contributed enormously to the deliberations of your Board.

Performance for the year to 31 December 2005

NAV Share price Russell Nomura

Prices rebased to 100

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

Nicholas Barber was appointed as Senior Independent Director on 10 March 2005. As I heralded in last year's report Sir John Stanley retired on 31 March 2005. We miss him and record our thanks for his extensive contribution.

The Board continues to review and monitor corporate governance issues on an ongoing basis, refreshing and updating processes as appropriate.

In accordance with the Listing Rules, Simon Fraser, President of Fidelity International's European Institutional Business, the Director on the Board representing Fidelity, will retire and seek re-election at the forthcoming Annual General Meeting. In accordance with the Company's Articles of Association, which require that one third of Directors retire by rotation each year, I will also retire and, following an evaluation of my performance by my fellow Directors and on their recommendation, I will seek re-election at the forthcoming Annual General Meeting.

Attribution Analysis

for the year to 31 December 2005

Net Asset Value at 31 December 2004	71.3p	
Impact of the index (in yen terms)	+31.7p	+44.5%
Impact of stock selection (in yen terms)	+11.7p	+16.4%
Impact of currency	-3.1p	-4.3%
Impact of gearing (in yen terms)	+13.9p	+19.5%
Impact of other costs	-1.9p	-2.7%
Net Asset Value at 31 December 2005	123.6p	+73.4%

Please note that past performance is not a guide to future returns. The value of investments can go down as well as up, and may be affected by exchange rate fluctuations

Chairman's Statement

MANAGEMENT AGREEMENT

Following the annual review of the Management Agreement between the Company and Fidelity we agreed with Fidelity that the notice by either party should reduce from twelve months to six months. Your Board believes that this change is in the interests of shareholders as a whole.

GEARING

The decision in 2004 to renew the Company's loans has, at least to date, proved to be the correct one and during 2005 the Company's gearing contributed some 13.9 pence to the NAV.

The Board's policy is to maintain the two 5 year loans in place for their full term until 2009. However, the resultant level of gearing is monitored regularly and in the event that the Board believes at any particular time that the level is no longer appropriate in the light of economic or stock market conditions in the longer term, the level will be adjusted accordingly.

SHARE BUYBACKS

Purchases of shares for cancellation are made at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Share repurchases will only be made when they will result in an enhancement to NAV for the remaining shareholders. In recent years share repurchases have been used sparingly due to their impact on liquidity and gearing and no repurchases were made in the year to 31 December 2005. The Board continues to believe that the ability to repurchase shares is a valuable tool and therefore a resolution to renew the Company's authority to repurchase shares will be proposed at the forthcoming Annual General Meeting.

ANNUAL GENERAL MEETING: 27 APRIL 2006

The Annual General Meeting will be held at midday on 27 April 2006 at Fidelity's offices at 25 Cannon Street in the City of London and all investors are encouraged to attend. It is the one occasion in the year when shareholders can meet all of the Directors as well as the Investment Manager, Asako Kibe. You may have questions, comments or suggestions which we would welcome and which all shareholders should have the benefit of hearing. Following the meeting Asako Kibe will give a presentation on the past year and the prospects for the current year.

THE MARKET AND OUTLOOK

After the very steep rise in the Japanese market during 2005 and into the first two weeks of 2006 there was a correction, partially triggered by the Livedoor scandal. As I write, the relevant indices are slightly below those at 31 December 2005. Against this background the discount/premium at which our shares stand has been fairly volatile but in recent days seems to have settled, at least for the moment, moving in a narrow range around par.

Looking ahead, sustained growth, latterly encouraged in 2005 by key factors, including housing, capital expenditure and personal consumption, suggests that Japan's economy continues to recover, supported by buoyant private sector demand. Meanwhile, easing deflationary trends, a turnaround in bank lending (adjusted for loan write-offs and securitisations) and improving employment and income trends indicate that the current recovery is broader and more sustainable than in recent years.

Improving economic fundamentals have fostered an environment favourable to corporate Japan. The Bank of Japan's quarterly business sentiment survey revealed that Japanese companies are more confident in their ability to accelerate top and bottom line growth. On an all-company basis, fiscal 2005/06 sales are expected to increase by 3.2% year-on-year versus an earlier forecast of 2.8%. Recurring profit estimates point towards growth of 5.4% year-on-year versus a previous forecast of 3.4%. Moreover, according to a survey conducted by the Nihon Keizai financial newspaper, Japanese companies' (excluding financials) return on equity will climb to a record high of 8.9% during the current financial year. In particular, Japanese companies have repaired their balance sheets by significantly reducing their excess debts. Free cash flow generation is at record high levels, supporting increases in business investment and merger and acquisitions, as well as higher dividend payouts. With their balance sheets significantly strengthened, Japanese companies should be able to shift their attention to pursuing new profit opportunities as economic growth gains traction.

The surge in Japanese equities since the summer of 2005 has reduced their undervaluation relative to other developed markets. However, interim results exceeded consensus estimates and upward revisions are likely to characterise the remainder of fiscal 2005/06. Moreover, forecasts for 2006/07 indicate that earnings will increase for the fifth consecutive year which, if correct, will be the first time that this will have occurred in a quarter of a century. The main risk to this relatively benign outlook would be a significant rise in Japanese interest rates following the recent announcement by the Bank of Japan.

WLE. TH
William Thomson
Chairman
14 March 2006
WLE. TH

Manager's Review

Fidelity Investments International

The Company is managed by Fidelity Investments International (which is authorised and regulated by the Financial Services Authority). Fidelity Investments International is part of the Fidelity International Limited group which, as at 31 December 2005, had total assets under management exceeding £144.2 billion.

Asako Kibe (age 49)

Asako Kibe is a fund manager with Fidelity Investments Japan Limited based in Tokyo. She joined Fidelity in 1981 as an equity research analyst having attained a Bachelor of Arts from the University of Hawaii. Asako manages two other Fidelity funds that invest in Japan; Fidelity Japan Special Situations Fund and Fidelity Funds Japan Smaller Companies Fund.

PERFORMANCE REVIEW

As shown in the Financial Summary on page 2, the net asset value of the Company rose by 73.4% compared with the Tokyo Stock Exchange First Section Index ("TOPIX"), which rose 40.7%, and the Russell Nomura Mid/Small Index, which rose 45.5% (all figures in sterling terms).

Japanese equities grew strongly over the period under review, as positive macro-economic indicators and Prime Minister Koizumi's dramatic election victory attracted record investment inflows from overseas. Market performance for the period continued to be led by resource related sectors such as mining, iron & steel, and non-ferrous metals due to strong global commodity prices. Machinery companies, which were expected to benefit from a recovery in corporate capital spending, were also among the best performers. Elsewhere, Japanese banks continued to perform strongly on the back of improving domestic macro economic fundamentals. On the other hand, negative sentiment from higher oil prices and raw material costs continued to weigh on the performance of companies in the pulp & paper and air transport sectors. During the review period, smaller companies continued to outperform their larger counterparts, as a recovery in domestic demand driven by corporate capital spending and consumer spending fostered an environment favourable for smaller companies in general.

PORTFOLIO REVIEW

In this environment, the Company's key stock selection themes played well. The major contributors to performance were found among beneficiaries of improving domestic demand driven by capital spending. Within this theme, the single largest contributor was Telewave, which is a vendor of information and communication equipment for small companies. It also provides installation and maintenance services. Its share price performance

mirrored strong earnings momentum driven by increasing capital spending in IT infrastructure by domestic companies. Otsuka, whose business model is similar to that of Telewave but catering for medium-sized companies, also added value. Another contributor was Sodick, which produces various electrical machines including numeric controlled electric discharge machines, plastic moulding machines, CAD/CAM systems for mould design and production and high-speed drilling machines. It enjoyed strong earnings momentum thanks to strong exports to Asian countries and increasing capital spending by Japanese domestic companies.

Another key theme was the growing broadband internet infrastructure in Japan, which encompasses a diverse range of businesses such as software and system development, media, entertainment, advertisement, business support and e-commerce. Share prices of internet advertising agencies, including OPT and Cyber Communications, continued to rise. Their growth is driven by a structural shift in corporate advertising spending towards the internet. E*Trade Securities was another contributor. It is a fast growing on-line security broker that benefits from an increasing number of individual investors choosing to place orders on the internet or through mobile phones.

Expectations of an end to deflation and a recovery of the real estate market provided attractive growth opportunities for companies that can source, enhance and deliver properties. To this end, the Company's holdings in the REIT (real estate investment trust) managers, KK Davinci Advisors, added value. The position in Nissin also proved rewarding. The company provides consumer credit services, but it is expanding its business into real estate financing and leasing.

Manager's Review

Elsewhere, the Company's exposure to Shinko Electric was particularly rewarding. Share price performance of this semi-conductor package producer rose on expectations of growing demand for flip-chip packages with an expansion of its customer base.

On the negative front, the performance of Nexus was disappointing. The company is a distributor of information and communication equipment mainly for corporate clients. It disappointed the market with a net loss for the first half of fiscal year 2005. It lost part of its sales support services for Japan Telecom's land-line communication due to a breach of contract. The scale-down of this business was detrimental, as it was expected to be the key sales driver for the medium term. The Company's position in Narumiya International was also disappointing. It is an apparel retailer specialising in children's clothes. Poor share price performance reflected weaker than expected sales growth in 2005.

During the year under review, the portfolio maintained a bias towards smaller companies and was well diversified with more than 130 holdings. Although the sector positioning has not changed significantly over the year, holdings within each sector were rotated on the basis of rigorous valuation and fundamental analysis.

At sector level, the service sector continued to represent the largest position in the portfolio throughout the year, as we found attractive growth opportunities in the aforementioned internet based service providers. In this sector, we also added to positions in KK Davinci Advisors that reap the benefits of the growth in the REIT market. On the other hand, we trimmed positions in OPT, USS and H.I.S. whose share prices have had a strong run over the past few years.

Relatively large exposure to the wholesale and machinery sectors was also maintained. In the wholesale sector, Telewave remained the largest position, while we reduced positions in Nexus whose earnings outlook deteriorated. In the machinery sector, Sodick and Kitz remained the largest positions, while we took profit in Sega Sammy Holdings and sold out our holding.

The exposure to the information and communication sector increased during the year partly due to strong performance of the holdings in the sector and partly due to additional positions in internet, media, and mobile communication services providers. Hikari Tsushin was the major new position in the sector. It sells mobile phones, office automation equipment, and insurance policies in Japan. The stock experienced a sharp correction after a strong rally in 2004 and offered attractive share price valuations compared with its

strong cash generating characteristics. In the meantime, the Company's position in Otsuka was trimmed on strong share price performance.

The Company's positions in Tokai Carbon, Asahi Glass, and Sumitomo Osaka Cement were sold, and the position in Nippon Electric Glass was cut back. These stocks rose strongly over the year and their share price valuations looked stretched. As a result, the Company's large exposure to the glass and ceramics sector was reduced.

We retained relatively low exposure to the banking sector throughout the year. Although shares of regional banks were selectively added to and exposure to the sector in absolute terms was increased, we maintained the view that attractive investment opportunities are scarce among regional banks.

OUTLOOK

After the strong rally in 2005, we expected that a technical correction was inevitable in the Japanese equity market. Indeed, since the middle of January 2006, Japanese equities have been experiencing a period of setback. The Livedoor probe inevitably hurt investor sentiment towards fast-growing internet-related companies and triggered massive profit taking on small cap stocks which had posted significant gains in 2005. As a result, the Company's relatively large exposure to internet-related stocks including Livedoor has detracted from performance since the beginning of 2006. We had a material position in Livedoor based on the apparent potential of its internet portal business. Following a meeting with management at the beginning of January 2006 we became sceptical and commenced selling the stock, but this process was overtaken by events and the final sale of the remaining shares was not completed until February.

While Japanese equities quickly recovered from the Livedoor shock, the market suffered further declines in February. A strengthening of the yen, net selling by foreign investors and a decline in commodity prices fuelled the downward momentum. However, we believe the recent market correction does not reflect the strong macro and micro fundamentals currently in play. On the macro front, it seems that the spectre of deflation appears to be receding with improved employment conditions, corporate earnings and increased private consumption. Furthermore, the banking system has shed the bulk of its non-performing loan portfolios. Reflation of the domestic economy implies a normalisation from over a decade of misallocation of resources and low productivity growth. Corporate profitability and equity valuations remain relatively attractive. Expanding links with China are improving profitability and opening up new growth opportunities in emerging Asia. Most importantly, we

Manager's Review

believe these trends are well entrenched and contribute to cement the foundation for a sustainable long term recovery in the Japanese stock market.

Developments at the micro level also warrant optimism. Japanese companies reported better than expected results for the first half of the 2005/2006 financial year. Excluding financial firms, recurring *profits increased by 6.9% year-on-year versus an earlier forecast of a 10.5% contraction (Toyo Keizai estimate as of 30 June 2005).* Over the medium term, Japan faces a number of challenges, most notably weak government finances and shifting demographics. While the journey could prove bumpy, the necessary ingredients for a multi-year recovery in the market seem to be in place.

While this provides a solid backdrop for the Japanese equity market, we remain cautious about the near term outlook for small cap stocks. Valuations of smaller to medium sized companies now exceed those of larger companies. *Although smaller companies' earnings growth for the next year is expected to be stronger than that of large companies, the question remains whether smaller companies' earnings growth is strong enough to justify these premium valuations.* In this environment, we believe valuation analysis is critical for successful investments.

The key stock selection themes, including improving consumer sentiment, increasing capital spending and the improving outlook for the property market, are likely to remain unchanged. We also continue to look for companies that are expected to benefit from *internet penetration. Although the Livedoor scandal* eroded investor confidence in internet-related companies, we believe the Livedoor case has to be isolated from the rest of the internet sector and that the long term growth potential for broadband technologies and internet based services remains intact.

Fidelity Investments International

14 March 2006

Forty Largest Investments as at 31 December 2005

Holding	Market Value £'000	% ¹
Sodick Develops, manufactures and sells electric machines and equipment	5,179	3.8
Telewave Distributes information and communication equipment	4,596	3.3
Ryohin Keikaku Retailer	3,786	2.8
Kitz Manufactures industrial valves	2,965	2.2
E*Trade Securities Provides financial services	2,812	2.0
KK Davinci Advisors Operates asset management businesses	2,771	2.0
Fujikura Manufactures and sells wires and cables	2,758	2.0
Livedoor Provides internet-related services	2,740	2.0
JSR Manufactures synthetic rubber	2,324	1.7
Nissin Consumer and business loan company	2,306	1.7
Top 10 Holdings (2004: 19.2%)	32,237	23.5
Cyber Agent Internet advertising agency	2,289	1.7
Hamakyorex Provides trucking, warehouse and related services	2,169	1.6
Foster Electric Manufactures and sells electric products	2,134	1.6
Otsuka Corporation Designs, constructs and develops computer information systems and software	2,076	1.5
SMBC Friend Securities Provides financial services	2,012	1.5
Fulicast Provides personnel staffing services and events planning	1,870	1.4
Index Corporation Develops mobile and media services	1,840	1.3
Sumitomo Titanium Produces and sells non-ferrous metals	1,829	1.3
Cyber Communications Provides advertising services via the internet and commercial online networks	1,826	1.3
Miyachi Corporation Manufactures laser welders, laser markers, power controls and measuring instruments	1,815	1.3
Top 20 Holdings (2004: 33.9%)	52,097	38.0

Forty Largest Investments as at 31 December 2005

Holding	Market Value £'000	% ¹
NHK Spring Manufactures springs for automobiles and electronic equipment	1,760	1.3
Hikari Tsushin Mobile telecommunication service subscription agency	1,705	1.3
Aioi Insurance Writes fire, casualty, automobile, life and allied insurance	1,701	1.2
Mitsui Trust Holdings Financial services provider	1,700	1.2
Shinko Electric Industries Designs, manufactures and markets advanced electronic materials	1,661	1.2
Nippon Mining Holdings Provides non-ferrous metals, petroleum and electronic materials	1,642	1.2
Usen Provides information/music broadcasting services	1,596	1.2
Advan Trading company specialising in construction materials	1,531	1.1
Gendai Agency Provides advertising services for Japanese pinball parlours	1,508	1.1
OPT Internet advertising agency	1,473	1.1
H.I.S. Travel agency	1,399	1.0
Zenrin Produces and markets residential maps and supplies car navigation systems	1,368	1.0
Sumitomo Corporation General trading company	1,363	1.0
Chiyoda Integre Manufactures and markets electric and electronic components for audio visual products and office equipment	1,338	1.0
Nippon Electric Glass Manufactures a wide range of glass related products	1,297	1.0
Doshisha Wholesaler handling a wide range of products	1,292	0.9
Rakuten Media business company	1,276	0.9
Disco Corporation Manufacturer of dicing saws for semi-conductors	1,273	0.9
Sompo Japan Insurance Writes fire, casualty, automobile, life and allied insurance	1,237	0.9
Ozeki Operates a chain of supermarkets	1,220	0.9
Top 40 Holdings (2004: 54.4%)	81,437	59.4
Other Holdings (96) (2004: 44.8%)	55,071	40.2
	136,508	99.6
Cash & other net current assets (2004: 0.8%)	542	0.4
	137,050	100.0

¹ % total assets less current liabilities, excluding fixed term loan liabilities

Distribution of the Portfolio¹ at 31 December 2005

Equities	% ¹	% ¹
Services	15.4	13.4
Machinery	10.8	9.4
Information & Communications	10.6	7.8
Wholesale Trade	10.5	11.9
Retail Trade	9.2	7.4
Electrical Machinery	8.9	8.8
Banks	4.4	3.4
Chemicals	4.3	4.8
Securities	4.3	2.4
Non-ferrous Metals	3.9	2.3
Other Financing Business	3.6	5.1
Insurance	2.7	0.4
Land Transportation	2.0	3.8
Oil & Coal Products	1.4	1.1
Metal Products	1.3	0.8
Warehousing & Harbour Transport Services	1.1	0.4
Glass and Ceramic Products	0.9	5.8
Textiles & Apparel	0.8	1.9
Foods	0.7	1.8
Construction	0.6	-
Precision Instruments	0.6	2.2
Pharmaceutical	0.5	0.2
Steel Products	0.5	-
Transport Equipment	0.5	1.7
Other Products	0.1	1.4
Real Estate	-	1.0
Cash & other net current assets	0.4	0.8
Total	100.0	100.0

1 % total assets less current liabilities, excluding fixed term loan liabilities

Summary of Performance

Historical Record as at 31 December	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Total assets employed (£m)	137	86	76	59	71	100	215	59	48	72	93
Shareholders' funds (£m)	121	70	59	42	54	73	186	42	33	56	84
NAV per share (p)	123.56	71.26	60.42	42.82	53.12	69.81	176.88	40.20	31.48	53.12	79.54
Share price (p)	130.25	61.75	51.00	35.00	41.25	63.75	161.75	28.75	26.50	47.25	75.00
Warrant price (p)	n/a	n/a	0.35	1.50	7.50	14.25	82.50	4.75	6.50	11.25	28.00
(Premium)/discount to NAV (%)	(5.4)	13.3	15.6	18.3	22.3	8.7	1.4	28.5	15.8	11.1	5.7
Revenue return per ordinary share (p)	(1.02)	(0.89)	(0.65)	(0.69)	(1.22)	(2.01)	(1.64)	(0.65)	(0.66)	(0.99)	0.17
Dividend per ordinary share (p)	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	0.10
Cost of running trust (total expense ratio) (%)	1.83	1.83	1.93	1.63	1.93	1.52	1.50	1.88	1.66	1.45	1.34
Actual gearing ratio (%)	11.5	22.0	22.6	32.6	28.2	28.3	11.6	23.9	24.5	17.1	9.9
NAV (%)	+73.4	+17.9	+41.1	-19.4	-23.9	-60.5	+340.0	+27.7	-40.7	-33.2	-7.1
Share price performance (%)	+110.9	+21.1	+45.7	-15.2	-35.3	-60.6	+462.6	+8.5	-43.9	-37.0	-10.2

1 operating expenses before tax (excluding interest) based on average daily shareholders' funds

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

The Company was launched on 17 November 1994 with one warrant attached to every five shares. The original subscription price for each share was £1. The Company is a member of The Association of Investment Trust Companies ("AITC") from whom general information on investment trusts can be obtained by telephoning 020 7282 5555 (email address: enquiries@aitc.co.uk).

PRICE INFORMATION

The mid-market price of the ordinary shares is published daily in the Financial Times under the heading "Investment Trusts". The ordinary share price is also published in The Times, The Daily Telegraph and The Independent. You can also obtain current price information by phoning FT Cityline on 0906 843 then 4021. The Reuters code for Fidelity Japanese Values is FJVL.

NAV INFORMATION

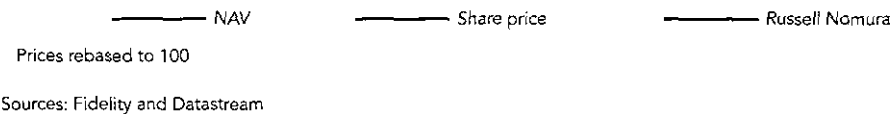
The net asset value of the Company is calculated on a daily basis and released to the London Stock Exchange.

CAPITAL GAINS TAX

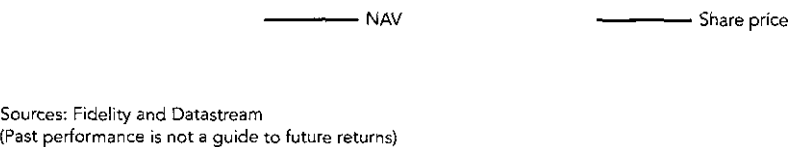
Your Directors have been advised that, for the purposes of calculating an investor's possible liability to capital gains tax, the base cost of ordinary shares and warrants, acquired at the time of the Company's launch, is 90.21p. All UK individuals under present legislation are permitted to have £8,500 of capital gains in the current tax year 2005/2006 (£8,200 2004/2005 tax year) before being liable for capital gains tax. Capital gains are treated as the top slice of income and will be taxable at 10% for taxpayers up to the starting rate limit, 20% for basic rate taxpayers or 40% for higher rate taxpayers.

Summary of Performance

Total return performance from launch to 31 December 2005



NAV and share price in pence from launch to 31 December 2005



Summary of Performance

Total return performance relative to the index from launch to 31 December 2005

NAV Share price Russell Nomura

Prices rebased to 100

Sources: Fidelity and Datastream

Share price premium/discount to NAV from launch to 31 December 2005

Based on figures at month end only

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

Corporate Information

Board of Directors

William Thomson (Chairman)
Nicholas Barber, CBE
(Senior Independent Director)
Simon Fraser
Philip Kay
David Miller, OBE

Manager, Secretary and Registered Office

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

Financial Advisers and Stockbrokers

Dresdner Kleinwort Wasserstein
20 Fenchurch Street
London
EC3P 3DB

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southwark Towers
32 London Bridge Street
London
SE1 9SY

Bankers and Custodian

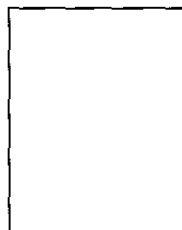
JPMorgan Chase Bank (London Branch)
125 London Wall
London
EC2Y 5AJ

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Lawyers

Slaughter and May
One Bunhill Row
London
EC1Y 8YY



William Thomson¹ (Chairman)

(age 65, date of
appointment: 1 May
1997, date of
appointment as
Chairman:

31 December 2004) is

Chairman of E G Thomson (Holdings) Limited. This business is primarily involved in the provision of shipping agency services in Asia and in international logistics management. He is also non-executive Chairman of John Menzies plc and British Assets Trust plc and a non-executive director of several companies including Dobbies Garden Centres plc.



Nicholas Barber, CBE²

(Senior Independent
Director) (age 65, date
of appointment:
4 December 2000,
date of appointment as
Senior Independent

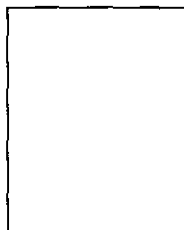
Director: 10 March 2005) is Chairman of Bolero International Limited and Kappa IT Ventures (GP) Limited. His other directorships include The Maersk Co. His executive career was with Ocean Group plc (later Exel PLC), with whom he spent a year in Japan; he was Group Chief Executive from 1986 to 1994.

Board of Directors



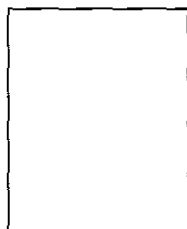
Simon Fraser³
(age 46, date of appointment: 11 May 2000) has been President of Fidelity International's European Institutional Business since 2005. He started

his career at Fidelity in 1981 as an analyst and he has spent a number of years in Japan, most recently as Chief Investment Officer for the Asia/Pacific region. He returned to the UK in 1999 to take up the position of Chief Investment Officer for Fidelity International, a position he held until 2005. He was the Portfolio Manager for Fidelity Japanese Values PLC from its launch in 1994 until August 1997. He is also a director of Fidelity European Values PLC.



David Miller, OBE²
(age 59, date of appointment: 29 October 2004) is a director of FBG Investment Limited. He was with Robert Fleming Group from

1972 to 1991, was resident in Japan for nearly eight years and was head of the Fleming group's Tokyo office.



Philip Kay²
(age 50, date of appointment: 29 October 2004) is a former Managing Director and Senior Advisor of Credit Suisse First Boston

where he ran the global Japanese cash equity business. He is a director of a Japanese hedge fund, Akamatsu Fund, and was previously a director of Schroder Securities Limited and of Smith New Court PLC.

¹ Chairman of the Audit, Management Engagement and Nomination and Remuneration Committees

² member of the Audit, Management Engagement and Nomination and Remuneration Committees

³ member of the Nomination and Remuneration Committee

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2005.

The Company was incorporated in England and Wales as a public limited company on 7 January 1994 under the name of Savemargin Public Limited Company with the registered number 2885584.

ACTIVITIES AND STATUS

A review of the year's activities and an indication of likely future developments are given in the Chairman's Statement on pages 3 and 4 and in the Investment Manager's Review on pages 5 to 7.

The Inland Revenue has approved the Company as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 December 2003 and has granted provisional approval for the year ended 31 December 2004, although this approval may be subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The Directors are of the opinion that the Company has subsequently conducted its affairs in a manner which will satisfy the conditions for continued approval as an investment trust under that Section.

The Company is not a close company and has no employees. It is registered as an investment company as defined in Section 266 of the Companies Act 1985 and operates as such.

NET ASSET VALUE

Investments were valued at £136,508,000 as at 31 December 2005. Shareholders' funds amounted to £121,348,000 resulting in a net asset value per share of 123.56p. Changes to investments are shown in note 8 to the financial statements on page 35.

RESULTS AND DIVIDENDS

The revenue account shows a deficit after taxation for the year of £998,000 and therefore the Directors do not recommend the payment of a dividend and this amount has been charged to reserves.

SHARE CAPITAL

SHARE ISSUES

No shares were issued during the year (2004: 1,200 on exercise of warrants).

SHARE REPURCHASES

At the Annual General Meeting held on 10 May 2005 the Company's shareholders passed a special resolution which granted the Directors authority to purchase up to 14,721,297 ordinary shares in the market for cancellation. No shares were repurchased

for cancellation during the year. The authority expires on 27 April 2006 and a special resolution to renew the authority will therefore be put to shareholders for approval at the forthcoming Annual General Meeting.

As at 31 December 2005, the total number of shares in issue was 98,207,453 (2004: 98,207,453).

GEARING

The Company's level of net gearing is now 13.78% and the Board has instigated a policy that it will in normal circumstances maintain its net gearing level at below 30%.

In the year to 31 December 2005 the Company's gearing contributed approximately 13.9 pence (19.5%) to the Company's NAV.

The Board is responsible for the level of gearing in the Company and continues to review it on a regular basis.

FINANCIAL INSTRUMENTS RISKS

The financial instruments risks faced by the Company are shown in note 18 to the financial statements on pages 39 to 41.

POLITICAL AND CHARITABLE DONATIONS

The Company has not made any political or charitable donations in the year (2004: nil).

PAYMENT OF CREDITORS

The Company's principal supplier is the Manager who is paid in the month following the end of each calendar quarter, in accordance with the terms of the Management Agreement. The Company's policy for the year to 31 December 2005 (2004: same) for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction to ensure that the supplier is aware of these terms and to abide by the agreed terms of payment. The Company did not have any trade creditors during the year (2004: nil). Other suppliers are paid in accordance with the individual payment terms agreed with each supplier.

MANAGEMENT COMPANY

A Management and Secretarial Services Agreement (the Agreement) dated 6 February 2006 (amending the Agreement dated 22 February 1994), was made between the Company and Fidelity Investments International (the "Manager"), under which the Manager has agreed to provide investment management, administrative and secretarial services to the Company. Details of the Agreement are set out in the Corporate Governance Statement on pages 22 and 23.

The Manager also provides certain other services, including marketing and administration, in connection with the Fidelity Investment Trust Share Plan, the

Directors' Report

Fidelity Investment Trust Personal Equity Plan and the Fidelity Individual Savings Account under an Agreement dated 12 March 1996. Fees payable under this Agreement for the year to 31 December 2005 were £41,830 (2004: £66,705).

An amount of £455,300 (2004: £329,600) was due to the Manager under the above agreements at 31 December 2005 and is included in creditors in note 10 on page 36.

Fidelity has recently adopted a broker segmentation policy, which has reduced the number of brokers used, and allows it to concentrate on those brokers who, in its opinion, offer the best service in terms of overall execution. These brokers are Fidelity's "core" brokers. At the same time, the Manager evaluates the research provided by other brokers and uses some of them for their research. These brokers are called Secondary State Research firms ("SSRs").

As a consequence of the policy, the "core" brokers earn a larger percentage of the commission paid. These "core" brokers pay away some of the increased commission earned to the SSRs, to compensate them for the research provided to Fidelity. Under FSA regulations this type of payment from one broker to another is currently treated as "softing". The Manager's soft commission policy complies with the UK regulations. Fidelity adopts a best execution policy that applies to all transactions in all instruments, regardless of the fund or account or location of the trading desk.

The Manager has an arrangement with certain brokers whereby a portion of commissions from security transactions may be paid to the Company to reduce transaction costs. Amounts received by the Company under this arrangement are credited to capital. In the year to 31 December 2005 £3,400 was received (2004: nil).

The Company participates in the Manager's interfund programme whereby Fidelity's traders, on occasion, identify situations where one fund managed by Fidelity is buying the same security that another fund is selling. If a trader can confirm that it would be in the interests of both accounts to execute a transaction between them rather than in the market then an interfund transaction is executed. There is a regulatory requirement on the Manager to obtain best execution and no individual deal is entered into which prevents compliance with this requirement.

Simon Fraser is President of Fidelity International's European Institutional Business, the holding company of Fidelity Investments International. He is also a director of other companies within the Fidelity International group of companies.

As at the date of this report Fidelity International Limited has an interest in 6,854,100 shares in the Company.

CORPORATE SOCIAL RESPONSIBILITY

The Manager believes that high standards of corporate social responsibility make good business sense and have the potential to protect and enhance investment returns. Consequently, its investment process takes social, environmental and ethical issues into account when, in its view, these have a material impact on either investment risk or return.

DIRECTORS

Details of the Directors who served during the year to 31 December 2005 are set out on pages 14 and 15.

In accordance with the Listing Rules, Simon Fraser, as an employee of the Manager, is subject to annual re-election. He has waived his entitlement to Director's fees.

William Thomson will retire by rotation and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

No Director is under a contract of service with the Company and no contracts existed during or at the end of the financial period in which any Director was materially interested and which was significant in relation to the Company's business, except as disclosed in relation to Simon Fraser's interest in the Management Agreement. There have been no other related party transactions requiring disclosure under Financial Reporting Standard ("FRS") 8.

The interests of the Directors in the ordinary shares of the Company as at 31 December 2005 and 31 December 2004 were as in the table below. There have been no changes in these holdings since the year end:

	31 December 2005 shares	31 December 2004 shares
Nicholas Barber	10,000	10,000
Simon Fraser	30,000	30,000
Alex Hammond-Chambers ¹	N/A	20,000
Philip Kay	10,144	–
David Miller	20,000	20,000
Sir John Stanley ²	N/A	5,000
William Thomson	15,000	15,000

¹ Retired 31 December 2004

² Retired 31 March 2005

Directors' Report

SUBSTANTIAL SHARE INTERESTS

As at the date of this report, 16.78% of the issued share capital was held by investors in the Fidelity Individual Savings Account, Fidelity Investment Trust PEP and the Fidelity Investment Trust Share Plan.

As at the date of this report notification had been received of the following interests in 3% or more of the issued share capital of the Company:

Substantial share interests	%
Asset Value Investors Limited	7.89
Fidelity International Limited	6.98
Legal & General Group PLC	3.07

Analysis of ordinary shareholders as at 31 December 2005

	% of issued share capital
Institutions	29.0
Private Investors ¹	26.7
Nominees ²	23.2
Wealth Managers	19.9
Arbitrageurs	0.8
Market Makers	0.4
	100.00

¹ Includes Share Plan, PEP and ISA investors

² Nominees may also include individual shareholders

ANNUAL GENERAL MEETING

At the Annual General Meeting, resolutions will be proposed to renew the Directors' authority to allot securities in the Company. The authorities sought by these resolutions are to replace the existing powers of the Directors which expire on the date of the Annual General Meeting and will provide the Directors with the flexibility to issue further ordinary shares if they deem it appropriate to do so. By law, directors are not permitted to allot new shares (or to grant rights over shares) unless authorised to do so by shareholders.

Resolution 7 provides the Directors with a general authority to allot securities in the Company up to an aggregate nominal value of £1,227,593. If passed, this resolution will enable the Directors to allot a maximum of 4,910,372 ordinary shares which represents approximately 5% of the issued ordinary share capital of the Company as at 14 March 2006.

This authority provides the Directors with a degree of flexibility to increase the assets of the Company by the issue of new shares should any favourable opportunities arise to the advantage of shareholders. If new ordinary shares are to be allotted for cash, Section 89(1) of the

Companies Act 1985 requires such new shares to be offered to existing holders of ordinary shares (pre-emption rights). In certain circumstances it is beneficial for the Directors to allot shares for cash otherwise than pro rata to existing shareholders and the Companies Act 1985 provides for shareholders to give such power to the Directors by waiving their pre-emption rights.

Resolution 8 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 for cash by way of (a) rights issues where practical considerations, such as fractions and foreign securities laws, make this desirable and (b) other issues up to an aggregate nominal value of £1,227,593 (5% of the issued share capital of the Company as at 14 March 2006).

The Directors would not issue ordinary shares pursuant to this power at less than the then current net asset value per share ("NAV").

The authority to issue ordinary shares for cash under Resolution 8 will enable the Directors to issue additional new ordinary shares to participants in the Fidelity Investment Trust Share Plan and ISA in the event that the ordinary shares are trading at a premium to their NAV.

Resolution 9 is a special resolution which renews the Directors' authority to repurchase the Company's shares for cancellation. It is proposed that the Board be authorised to make arrangements to purchase through the London Stock Exchange up to 14,721,297 ordinary shares of 25 pence (equivalent to 14.99% of the shares in issue at 14 March 2006). By utilising this power to repurchase shares when they are trading at a discount to net asset value, the Company will increase the resulting net asset value per share for remaining shareholders. Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net asset value per share.

The Directors recommend that shareholders vote in favour of each of these resolutions.

The full text of the resolutions is set out in the Notice of Meeting contained on pages 42 and 43.

Directors' Report

CORPORATE GOVERNANCE

Full details are given in the Corporate Governance Statement on pages 20 to 24.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the net return of the Company for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards 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 ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

The financial statements may be published on a website. The Auditors have represented to your Board that their work does not involve any consideration of the maintenance and integrity of any websites and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were approved. Visitors to any website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdictions.

INDEPENDENT AUDITORS

The Company's Auditors, PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors, are willing to continue in office and, in accordance with Section 385 and Section 390A of the Companies Act 1985, resolutions concerning their re-appointment and remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Rebecca L. Burtonwood

Fidelity Investments International

Secretary
14 March 2006

Corporate Governance Statement

The Board has put in place a framework for corporate governance, which it believes is appropriate for an investment trust company and which will enable the Company to comply with the relevant provisions of the Code and the provisions of the Code of Corporate Governance published by the Association of Investment Trust Companies in July 2003 (the "AITC Code") which has established the framework of best practice for investment trusts.

The Board considers that the Company has complied with the provisions contained within the Combined Code and the AITC Code throughout the year ended 31 December 2005, except where disclosed below, and this statement describes how the principles of governance which are relevant to an investment trust are applied to the Company.

THE BOARD AND ITS COMMITTEES

The Board

The Board of Directors has overall responsibility for the Company's affairs. 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 include, inter alia, decisions on strategy, management, structure, capital, gearing, financial reporting, risk management, investment performance, share price discount, corporate governance, the appointment of the Company Secretary and Board appointments.

The Board currently consists of five Directors, of whom four are independent of the Company's Manager. Simon Fraser is an employee of the Manager and cannot therefore be classed as independent. The Chairman and the other independent Directors form the membership of the Audit Committee and the Management Engagement Committee. All Directors are members of the Nomination and Remuneration Committee.

The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table below gives the attendance record for the meetings held during the year:

Senior Independent Director

The Board appointed Nicholas Barber as Senior Independent Director on 10 March 2005.

Board balance

The Board consists of Directors who, between them, have good knowledge and wide experience of business in Japan and of investment trusts. Biographical details of all Directors including their relevant directorships are given on pages 14 and 15 of this report. The Board ensures that it conducts its business at all times with only the interests of the shareholders in mind and quite independently of any other associations. It meets at least four times a year, including an annual meeting in Tokyo, and endeavours to provide leadership in terms of the direction of the Company. Between these meetings there is regular contact with the Manager.

Appointments to the Board

The Nomination and Remuneration Committee is responsible for identifying possible candidates for consideration by the Board. Whilst the independent Directors take the lead in the appointment of new Directors, any proposal for a new Director will be discussed and approved by the entire Board. External consultants are also used to identify potential candidates. Upon appointment, each Director receives training on the investment operations and administration functions of the Company, together with a summary of their duties and responsibilities. The Directors also receive regular briefings from, amongst others, the AITC, the Company's Auditors and the Company Secretary regarding any proposed developments or changes in law or regulations that affect the Company and/or the Directors.

William Thomson succeeded Alex Hammond-Chambers as Chairman of the Company on 31 December 2004.

The terms and conditions of appointment of Directors are available for inspection at the registered office of the Company.

	Regular Board Meetings	Nomination & Remuneration Committee Meetings	Audit Committee Meetings	Management Engagement Committee Meetings
William Thomson	4/4	1/1	2/2	1/1
Nicholas Barber	4/4	1/1	2/2	1/1
Simon Fraser	3/4	1/1	N/A	N/A
Philip Kay	4/4	1/1	2/2	1/1
David Miller	4/4	1/1	2/2	1/1
Sir John Stanley ¹	1/1	0/1	1/1	1/1

¹ retired as a Director on 31 March 2005. The table denotes the number of meetings held up to the date of his retirement (Figures indicate those meetings for which each Director was eligible to attend and attended in the year)

Corporate Governance Statement

Performance evaluation

A process for the evaluation of the Board, its Committees and its Directors is in place and takes the form of written questionnaires and, if appropriate, interviews. The performance of the Chairman is evaluated by the other Directors on an annual basis. The Company Secretary and Investment Manager also participated in part of these processes to provide all-round feedback to the Board. The results of these evaluations were issued to and discussed by the Board. The process is considered to be constructive in terms of identifying areas for improving the functioning and performance of the Board.

Re-election

All newly appointed Directors stand for election by the shareholders at the next Annual General Meeting following their appointment. The Directors retire by rotation and offer themselves for re-election by shareholders every three years. Directors who have reached the age of 70 are subject to annual re-election. Directors who have served on the Board for more than nine years are subject to annual re-election. The representative of the Manager is subject to annual re-election. A procedure has been put in place whereby formal letters of appointment, which specify the terms of appointment, are issued to new Directors on appointment and to existing Directors upon subsequent re-election at the Annual General Meeting.

Simon Fraser will retire in accordance with the provisions of the Listing Rules and will be seeking re-election at the forthcoming Annual General Meeting. The proposal for Simon's reappointment was considered by the Nomination and Remuneration Committee. Simon is the representative of the Manager on the Board and as mentioned in previous reports, we believe that it is important that the Manager should be party to the responsibility, authority and accountability to those investing in their management. Simon's knowledge and experience of Japan and, in particular, investment in Japan are of enormous benefit and we recommend that shareholders vote in favour of his reappointment.

William Thomson, Chairman, will retire by rotation, and, following a proposal by his fellow Directors, will be seeking re-election at the forthcoming Annual General Meeting. The other members of the Board independently considered his re-appointment, to the Board and as Chairman, as part of the performance evaluation process and formally considered the proposal, during his absence, for his re-appointment at the Nomination and Remuneration Committee meeting.

The Audit Committee

Consists of all the independent Directors and William Thomson chairs the Committee. The Committee

considers that collectively the members of the Committee have sufficient recent and relevant financial experience to discharge their responsibilities fully. The Committee's authority and duties are clearly defined in its written terms of reference which are available for inspection at the Company's registered office and are included on the Company's website. These include responsibility for reviewing the interim report and annual report and financial statements, reviewing the scope and results of the audit and the effectiveness and cost of the audit process and reviewing the Company's internal financial controls. They also include responsibility for reviewing and monitoring the external Auditors' independence and objectivity with particular regard to the provision of non-audit services. The Audit Committee of the Board meets with the Auditors at least once a year to review these and other appropriate matters.

In the year to 31 December 2005 the Audit Committee discharged its responsibilities by, inter alia:-

- Reviewing the Company's draft annual and interim financial statements prior to Board approval and reviewing the external Auditors' report on the annual financial statements
- Reviewing the appropriateness of the Company's accounting policies
- Reviewing and approving the audit fee and reviewing non-audit fees payable to the Company's external Auditors
- Reviewing the external Auditors' terms of engagement
- Reviewing the external Auditors' plan for the audit of the Company's financial statements
- Reviewing the external Auditors' quality control procedures
- Reviewing and monitoring the effectiveness of the external audit process and the external Auditors' independence and objectivity
- Considering the scope of work undertaken by the Manager's internal audit department
- Reviewing the Manager's semi-annual report on internal controls and reporting to the Board
- Considering and reconfirming that it does not need an internal audit function given that the Company delegates its day to day operations to third parties.

The Nomination and Remuneration Committee

Consists of all of the Directors and William Thomson chairs the Committee. The Committee is charged with nominating new Directors for consideration by the Board of Directors, and subsequent approval by shareholders. It believes that the best way of ensuring that the Board as a whole and each independent Director individually carries out his duties in an independent manner, irrespective of the interests of the Manager, is to ensure that the search for, the interview of and recommendation to the Board of a

Corporate Governance Statement

candidate is entirely controlled by this Committee. The *Nomination and Remuneration Committee* also considers the re-election of Directors who are retiring by rotation.

The Committee also concerns itself with the remuneration of the Directors, considering as it does the remit of the job and the responsibility and time involved. It also makes itself aware of the directors' fees of other investment trust companies and other comparable entities. The level of remuneration of the non-executive Directors is set by the *Nomination and Remuneration Committee*. The Director who represents the Manager waives his fee.

This Committee meets on an annual basis and as and when required, making recommendations to the Board where appropriate.

The Committee's terms of reference are available for inspection at the Company's registered office and are included on the Company's website.

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

The level of remuneration of the Manager is determined by the Management Engagement Committee; it relates to the investment management function, on which a percentage of the funds under management is paid (thereby relating this part of its remuneration to performance) and to the administrative function. The Board of Directors is mindful that the amounts paid to the Manager should be sufficient to ensure that both the fund manager and the administrators within the management house appointed to look after its affairs are highly skilled and that those individuals should be largely focused on the Company's business.

The criteria which are taken into consideration in reviewing the performance of the Manager are set out below:

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

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

The Committee met and reviewed the performance of the Manager for the year to 31 December 2005. Having reviewed the criteria set out above, the Committee concluded that it was in the interests of shareholders that the Management Agreement should continue.

The Committee's terms of reference are available for inspection at the Company's registered office and on the Company's web page through the Fidelity website (www.fidelity.co.uk/its). Details of the Management Agreement are set out below.

MANAGEMENT AGREEMENT

A *Management and Secretarial services agreement* (the "Management Agreement") dated 6 February 2006 (amending the Management Agreement dated 22 February 1994), was made between the Company and Fidelity Investments International (the "Manager"), under which the Manager has agreed to provide investment management, administrative and secretarial services to the Company for a quarterly fee of an amount equal to 0.25 per cent (plus VAT) of the value of the Company's assets under management (as defined in the Management Agreement, which excludes investments in other funds managed by the Manager) payable quarterly in arrear and calculated as of the last business day of March, June, September and December in each year. In addition the Company has agreed to pay to the Manager a fee for secretarial and administration services, payable quarterly in arrear, at the current rate of £33,457 per annum (plus VAT).

Following the annual review of the Management Agreement, the Company announced on 7 February 2006 that the Management Agreement was updated on 6 February 2006 to reflect that both parties agreed that the notice period be reduced from twelve months to six months. The Management Agreement may, however, be terminated without compensation if the Company is liquidated pursuant to the procedures laid down in the Articles of Association of the Company regarding the Company's continuation. The

Corporate Governance Statement

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 two months' notice in writing if the Manager ceases to be a subsidiary of Fidelity International Limited.

SUPPLY OF INFORMATION

The quarterly Board meeting papers are the key source of regular information for the Board, the contents of which are determined by the Board and contain sufficient information on the financial condition of the Company. Key representatives of the Manager attend each Board meeting, enabling the Board to probe further on matters of concern or seek clarification on certain issues. The Directors have access to the advice and services of the Company Secretary through its appointed representative, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules, laws and regulations are complied with. The Directors also have the ability to take independent professional advice, if necessary, at the Company's expense. The Company maintains Directors' and Officers' liability insurance.

DIRECTORS' REMUNERATION

The level of Directors' fees is determined by the Nomination and Remuneration Committee. Since all Directors are non-executive, the Company is not required to comply with the principles of the Code in respect of executive directors' remuneration. Directors' fees are disclosed fully in each Annual Report (see the Directors' Remuneration Report on pages 25 and 26).

FINANCIAL REPORTING

Set out on page 19 is a statement by the Directors of their responsibilities in respect of the financial statements. The Auditors have set out their reporting responsibilities within the Independent Auditors' Report on page 27.

GOING CONCERN

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements since the assets of the Company consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

INTERNAL CONTROL

The Code requires the Directors to review the effectiveness of the Company's systems of internal control. The identification, control and evaluation of risk is formulated by a series of quarterly investment performance reports, a semi-annual internal controls

report and quarterly compliance reports as provided by the Manager. The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material mis-statement or loss. The Board has contractually delegated to external agencies, including the Investment Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the day-to-day accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered including the control systems in operation in so far as they relate to the affairs of the Company.

The Board, assisted by the Manager, has undertaken a semi-annual risk and control assessment. The business risks have been analysed and recorded in a risk and internal controls report which is regularly reviewed. Whilst the Company, in common with most investment trusts, has no internal audit department, the effectiveness of these controls is monitored by the Manager's compliance and internal audit functions. The Audit Committee has received and reviewed the report on the effectiveness of the internal controls maintained on behalf of the Company and an annual compliance report from the Manager's Global Oversight Director. The Board also receives each year from the Manager a report on its internal controls which includes a report from the Manager's reporting accountants on the control procedures in operation around the investment management and administration processes. By means of the procedures set out above and in accordance with Turnbull Internal Control: Guidance for Directors on the Combined Code published in 1999, the Directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and have reviewed the effectiveness of the internal control systems throughout the year.

VOTING POLICY

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. In its Principles of Ownership, the Manager expressly declares that it supports the Statement of Principles drawn up by the Institutional Shareholders' Committee setting out the responsibilities of institutional shareholders and agents.

The Manager instructs proxy voting on behalf of the Company in accordance with the Manager's existing guidelines and policies.

Corporate Governance Statement

SHAREHOLDERS

The Board regularly monitors the shareholder profile of the Company and liaises with the Manager and the Company's broker to canvass shareholder opinion and communicate its views to shareholders. The Board aims to provide the maximum opportunity for dialogue between the Company and shareholders. It believes the Company's institutional shareholders do have proper access to the Manager at any time and to the Board if they so wish. If any shareholder wishes to contact a member of the Board directly they should contact the Company Secretary whose details are given on page 14. All shareholders, particularly individual shareholders, are encouraged to attend the Annual General Meeting at which there is always a presentation of the past year's results and the forthcoming year's prospects, followed by the opportunity to meet representatives of the Manager and the Board.


All proxy votes received in respect of the Annual General Meeting are counted and, except where a poll is called, are reported for each resolution after it has been dealt with on a show of hands.

The Notice of Meeting on pages 42 and 43 sets out the business of the Annual General Meeting. A separate resolution is proposed on each substantially separate issue including the Annual Report and financial statements.

The Chairman of the Board, who is also Chairman of the Audit Committee, will be available to answer questions at the Annual General Meeting.

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

On behalf of the Board



William Thomson
14 March 2006

Directors' Remuneration Report

REMUNERATION COMMITTEE

The Board of Directors is comprised solely of non-executive Directors and has established a Nomination and Remuneration Committee, which comprises the whole Board. This Committee meets annually and as and when required. At its annual meeting it determines the fees paid to Directors.

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £100,000 per annum. Subject to this overall limit, the Nomination and Remuneration Committee makes recommendations to the Board regarding the level of Directors' fees, having regard to their duties and responsibilities, to their time commitments, to their potential liabilities (both financial and

reputational) and finally to levels of fees in the investment trust industry generally.

No Director has a service contract with the Company. The Company does not make payments to Directors on termination.

The Company's performance has been measured against the Russell Nomura Mid/Small Cap Index as this is the most appropriate benchmark in respect of its investment objective.

REMUNERATION OF DIRECTORS¹

Name	2005 £'000	2004 £'000
William Thomson	25	13
Nicholas Barber	16	13
Simon Fraser ²	–	–
Alex Hammond-Chambers ³	–	20
Philip Kay ⁴	16	3
David Miller ⁴	16	3
Sir John Stanley ⁵	4	13
Total	77	65

1 Audited information

2 Simon Fraser waived his fees of £13,000 in 2005 and £11,500 in 2004

3 Alex Hammond-Chambers' fees were paid to Alex Hammond-Chambers & Company. He retired as a Director on 31 December 2004

4 Appointed as a Director on 29 October 2004

5 Retired as a Director on 31 March 2005

No Director received any bonus, taxable expenses, compensation for the loss of office or non-cash benefits for the year ended 31 December 2005 or the year ended 31 December 2004.

On behalf of the Board

W.T. TL, W.T. TL

William Thomson

Chairman

14 March 2006

Directors' Remuneration Report

Performance from 31 December 2000 to 31 December 2005 (on a total return basis)

NAV Share price Russell Nomura

Prices rebased to 100

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

Financial Calendar

Financial Calendar – the key dates in the Company's calendar for the year from 31 December 2005:

31 December 2005 – financial year end	30 June 2006 – half year end
14 March 2006 – announcement of results	August 2006 – announcement of interim results to 30 June 2006
24 March 2006 – publication of this report	August 2006 – publication of Interim Report
27 April 2006 – Annual General Meeting	

Independent Auditors' Report to the Shareholders of Fidelity Japanese Values PLC

We have audited the financial statements of Fidelity Japanese Values PLC for the year ended 31 December 2005 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing. We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual

Report and consider whether it is consistent with the audited financial statements. The other information comprises the Chairman's Statement, the Manager's Review, the Directors' Report, the Corporate Governance Statement and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its net return and cash flows for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
14 March 2006

Income Statement for the year ended 31 December

		revenue	2005 capital	total	revenue	2004 capital restated*	total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Gains on investments	8	–	51,970	51,970	–	11,063	11,063
Income	2	827	–	827	705	–	705
Investment management fee	3	(1,174)	–	(1,174)	(884)	–	(884)
Other expenses	4	(369)	–	(369)	(369)	–	(369)
Exchange gains/(losses)		3	28	31	(1)	(141)	(142)
Exchange gains on loans	13	–	364	364	–	594	594
(LOSS)/NET RETURN BEFORE FINANCE COSTS AND TAXATION		(713)	52,362	51,649	(549)	11,516	10,967
Interest payable	5	(227)	–	(227)	(274)	–	(274)
(LOSS)/NET RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION		(940)	52,362	51,422	(823)	11,516	10,693
Taxation on return on ordinary activities	6	(58)	–	(58)	(48)	–	(48)
(LOSS)/NET RETURN ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS		(998)	52,362	51,364	(871)	11,516	10,645
(LOSS)/RETURN PER ORDINARY SHARE	7	(1.02p)	53.32p	52.30p	(0.89p)	11.73p	10.84p

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

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

No operations were acquired or discontinued in the year

*see note 19 on page 41

The notes on pages 32 to 41 form an integral part of the financial statements

Reconciliation of Movements in Shareholders' Funds for the year ended 31 December


	called up share capital	share premium account	capital redemption reserve	other reserve	other non- distributable reserve	warrant reserve	capital reserve realised	capital reserve unrealised	revenue reserve	total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening shareholders' funds: 1 January 2004	24,551	40	1,780	60,369	2	10,198	(30,687)	2,410	(9,325)	59,338
Net return/(losses) as recognised in the Income Statement	—	—	—	—	—	—	14,139	(2,623)	(871)	10,645
Exercise of warrants	—	—	—	—	2	(1)	—	—	—	1
Gain on expiration of warrants	—	—	—	—	—	(10,197)	10,197	—	—	—
Transfer from other non-distributable reserves to share premium	—	4	—	—	(4)	—	—	—	—	—
Closing shareholders' funds: 31 December 2004	24,551	44	1,780	60,369	—	—	(6,351)	(213)	(10,196)	69,984
Net return/(losses) as recognised in the Income Statement	—	—	—	—	—	—	9,344	43,018	(998)	51,364
Closing shareholders' funds: 31 December 2005	24,551	44	1,780	60,369	—	—	2,993	42,805	(11,194)	121,348

The notes on pages 32 to 41 form an integral part of the financial statements

Balance Sheet as at 31 December

	Notes	2005 £'000	2004 £'000
FIXED ASSETS			
Investments held at fair value through profit or loss	8	136,508	85,376
CURRENT ASSETS			
Debtors	9	252	456
Cash at bank		1,710	673
		<u>1,962</u>	<u>1,129</u>
CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR			
Other creditors	10	(1,420)	(455)
		<u>(1,420)</u>	<u>(455)</u>
NET CURRENT ASSETS		<u>542</u>	<u>674</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>137,050</u>	<u>86,050</u>
CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Fixed rate unsecured loans	11	(15,702)	(16,066)
TOTAL NET ASSETS		<u>121,348</u>	<u>69,984</u>
CAPITAL AND RESERVES			
Called up share capital	12	24,551	24,551
Share premium account	13	44	44
Capital redemption reserve	13	1,780	1,780
Other reserve	13	60,369	60,369
Capital reserve – realised	13	2,993	(6,351)
Capital reserve – unrealised	13	42,805	(213)
Revenue reserve	13	(11,194)	(10,196)
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>121,348</u>	<u>69,984</u>
NET ASSET VALUE PER ORDINARY SHARE	14	<u>123.56p</u>	<u>71.26p</u>

The financial statements on pages 28 to 41 were approved by the Board of Directors on 14 March 2006 and were signed on its behalf by:


William Thomson, Chairman

The notes on pages 32 to 41 form an integral part of the financial statements

Cash Flow Statement

for the year ended 31 December

OPERATING ACTIVITIES	Notes	2005 £'000	2004 £'000
Investment income received		783	629
Interest received		5	3
Investment management fee paid		(1,007)	(864)
Directors' fees paid		(88)	(68)
Other cash payments		(280)	(283)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	15	<u>(587)</u>	<u>(583)</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		<u>(227)</u>	<u>(275)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(227)</u>	<u>(275)</u>
FINANCIAL INVESTMENT			
Purchase of investments		(62,792)	(76,801)
Disposal of investments		64,647	75,047
NET CASH INFLOW/(OUTFLOW) FROM FINANCIAL INVESTMENT		<u>1,855</u>	<u>(1,754)</u>
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		<u>1,041</u>	<u>(2,612)</u>
FINANCING			
Exercise of warrants		–	1
1.05% fixed rate unsecured loan repaid		–	(7,371)
2.155% fixed rate unsecured loan repaid		–	(8,678)
1.565% fixed rate unsecured loan drawn down		–	7,371
1.34% fixed rate unsecured loan drawn down		–	8,678
NET CASH INFLOW FROM FINANCING		<u>–</u>	<u>1</u>
INCREASE/(DECREASE) IN CASH	16	<u>1,041</u>	<u>(2,611)</u>

The notes on pages 32 to 41 form an integral part of the financial statements

Notes to the Financial Statements

1. ACCOUNTING POLICIES

The Company has prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Principles ("UK GAAP") and the AITC Statement of Recommended Practice ("SORP") for Investment Trusts dated January 2003 and revised in December 2005. No prior year adjustments have resulted from changes in UK GAAP or the new SORP but the capital return for the previous year has been restated to exclude the realised gain on the warrants unexercised which is now reported in the Reconciliation of Movements in Shareholders' Funds statement on page 29.

a) **Basis of accounting** – The financial statements have been prepared on a going concern basis and under the historical cost convention, modified to include the revaluation of fixed asset investments and on the assumption that approval as an investment trust will be granted.

b) **Income** – Income from equity investments is credited to revenue on the date on which the right to receive the payment is established. Interest receivable on fixed interest securities is accounted for on an accruals basis so as to reflect the effective interest rate on the security. Interest receivable on short term loans and deposits, interest payable and expenses of management are dealt with on an accruals basis. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.

c) **Special dividends** – Special dividends are treated as a capital receipt or a revenue receipt depending on the circumstances and facts of each particular case.

d) **Expenses and finance costs** – All expenses are accounted for on an accruals basis and are charged in full to the revenue column of the Income Statement. Finance costs are accounted for on an accruals basis and in accordance with the provisions of Financial Reporting Standard ("FRS") 26 "Financial Instruments: Measurement".

e) **Taxation** – Deferred taxation is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred. A deferred tax asset is recognised when it is more likely than not that the asset will be recoverable.

f) **Foreign currency** – The Directors, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, have determined the functional currency to be sterling. Transactions denominated in foreign currencies are calculated in sterling at the rate of exchange ruling as at the date of transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Realised and unrealised capital gains and losses, including exchange differences on the translation of foreign currency assets and liabilities, are dealt with in capital reserves - realised and unrealised.

g) **Valuation of investments** – In accordance with the requirements of FRS26 investments are classified as held at fair value through profit or loss. Listed investments are valued at last trade market price. Unlisted investments are valued at last trade market prices ruling where an organised market in such investments exists; other unquoted investments are included at Directors' estimate of fair value. Where a price is not readily available the holding would be valued at cost unless circumstances indicate a different valuation is warranted. In general, valuations are increased where a substantial arm's length transaction has occurred subsequent to acquisition, at a price higher than cost. Valuations are decreased where subsequent transactions have taken place at a price lower than cost or where Fidelity's Fair Value Committee is aware that the company is experiencing operating difficulties. There were no unlisted holdings during the year (2004: none).

h) **Capital reserve – realised** – Gains and losses on the realisation of investments and realised exchange differences of a capital nature are accounted for in the capital reserve – realised.

Capital reserve – unrealised – Increases and decreases in the valuation of investments held at the year end and unrealised exchange differences of a capital nature are accounted for in the capital reserve – unrealised.

i) **Presentation** – The revised SORP has given rise to the following changes in the presentation of the financial statements:

(i) the Statement of Total Return is now called the Income Statement and the total column, as opposed to the revenue column, is now the profit and loss account of the Company;

Notes to the Financial Statements

- (ii) a new primary statement, the Reconciliation of Movements in Shareholders' Funds has been introduced. The gain on the expiration of warrants unexercised last year is now reported in this statement.

	2005 £'000	2004 £'000
2. INCOME		
Income from listed investments		
Overseas dividends	822	701
Other income		
Deposit interest	5	4
Total income	827	705

	2005 £'000	2004 £'000
3. INVESTMENT MANAGEMENT FEE		
Investment management fee	1,174	884

A summary of the terms of the Management Agreement is provided in the Directors' Report on pages 16 and 17.

	2005 £'000	2004 £'000
4. OTHER EXPENSES		
Directors' fees	77	65
Custody fees	19	17
Marketing expenses	42	67
Other	210	201
Auditors' remuneration		
Audit	21	19
	369	369

Details of the breakdown of Directors' fees are provided on page 25 within the Directors' Remuneration Report.
The audit fee includes an amount of £4,250 (2004: £3,000) relating to the review of the interim financial statements.

Notes to the Financial Statements

	2005 £'000	2004 £'000
5. INTEREST PAYABLE		
On loans repayable within five years		
Bank overdraft	–	1
Fixed rate unsecured loans	227	273
	<u>227</u>	<u>274</u>

	2005 £'000	2004 £'000
6. TAX ON ORDINARY ACTIVITIES		
a) Analysis of charge in the year		
Overseas taxation suffered	58	48
Total current taxation for the year (see note 6b)	<u>58</u>	<u>48</u>

b) Factors affecting the tax charge for the year

The taxation assessed for the year is higher than the standard rate of corporation tax in the UK for an investment trust company (30%) (2004: 30%).

The differences are explained below:

	2005 £'000	2004 £'000
Net revenue loss on ordinary activities before taxation	(940)	(823)
Corporation tax at 30% (2004: 30%)	(282)	(247)
Effects of:		
Excess expenses for the period	282	247
Overseas taxation	58	48
Current corporation tax charge (note 6a)	<u>58</u>	<u>48</u>

Investment trust companies are exempt from taxation on capital gains if they meet the Inland Revenue criteria set out in s842 Income and Corporation Taxes Act 1988 for a given period. Therefore, any capital return is not included in the above reconciliation.

c) The deferred tax assets of £3,234,000 in respect of unutilised expenses at 31 December 2005 (2004: £2,951,000) and eligible unrelieved foreign taxation of £272,000 (2004: £214,000) have not been recognised as it is unlikely that these assets will be utilised.

	revenue	2005 capital	total	revenue	2004 capital	total
7. (LOSS)/RETURN PER ORDINARY SHARE						
Basic	(1.02p)	53.32p	52.30p	(0.89p)	11.73p	10.84p

Returns per ordinary share are based on the net revenue loss on ordinary activities after taxation of £998,000 (2004: loss £871,000) and the capital return in the year of £52,362,000 (2004: £11,516,000) and on 98,207,453 ordinary shares (2004: 98,207,060) being the weighted average number of ordinary shares in issue during the year.

Notes to the Financial Statements

In 2004 an additional capital return per ordinary share had been calculated to take into account the gain on the realisation of the warrant reserve. However, following adoption of the new SORP, the gain has now been reported in the Reconciliation of Movements in Shareholders' Funds and not in the Income Statement. Accordingly, the prior year's results have been restated as shown in note 19 on page 41.

	2005 £'000	2004 £'000
8. INVESTMENTS		
Listed overseas	136,508	85,376
Total listed investments	<u>136,508</u>	<u>85,376</u>
	2005 listed overseas £'000	
Opening book cost	85,581	
Opening unrealised depreciation	(205)	
Opening valuation	<u>85,376</u>	
Movements in the year		
Purchases at cost	63,625	
Sales – proceeds	(64,463)	
Sales – realised gains on sales	9,312	
Increase in unrealised appreciation	42,658	
Closing valuation	<u>136,508</u>	
Closing book cost	94,055	
Closing unrealised appreciation	42,453	
	<u>136,508</u>	
	2005 £'000	2004 £'000
Realised gains on sales based on cost	9,312	2,299
Increase in unrealised appreciation	42,658	8,764
Gains on investments	<u>51,970</u>	<u>11,063</u>
The annualised portfolio turnover rate for the year is 67% (2004: 88%).		
	2005 £'000	2004 £'000
Costs of investment transactions		
Purchases expenses	91	117
Sales expenses	90	115
	<u>181</u>	<u>232</u>

Notes to the Financial Statements

	2005 £'000	2004 £'000
9. DEBTORS		
Securities sold for future settlement	145	314
Accrued income	38	57
Other debtors	69	85
	<u>252</u>	<u>456</u>

	2005 £'000	2004 £'000
10. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR		
Securities purchased for future settlement	824	8
Loan interest payable	27	27
Other creditors	569	420
	<u>1,420</u>	<u>455</u>

	2005 £'000	2004 £'000
11. CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR		
Fixed rate unsecured loan @ 1.565% per annum	7,404	7,576
Fixed rate unsecured loan @ 1.34% per annum	8,298	8,490
	<u>15,702</u>	<u>16,066</u>

The fixed rate unsecured loan from The Royal Bank of Scotland plc of yen 1,499,040,000 was drawn down on 13 August 2004 for a period of five years at a fixed rate of 1.565% per annum. The loan is repayable on 13 August 2009.

The fixed rate unsecured loan from The Royal Bank of Scotland plc of yen 1,680,000,000 was drawn down on 25 November 2004 for a period of five years at a fixed rate of 1.34% per annum. The loan is repayable on 25 November 2009.

The Company has entered into an arrangement with The Royal Bank of Scotland plc whereby if total borrowings exceed 39% of the Company's assets sufficient money is placed in a charged account with the bank to reduce borrowings to below 39%. The release of the charge is contingent on the borrowing ratio of the Company being reduced to 37% for a period of five consecutive business days.

As at 31 December 2005 there were no cash deposits with the bank subject to a charge in favour of The Royal Bank of Scotland plc (2004: nil). As at the date of this report there were no cash deposits subject to the charge.

Redemption costs may be payable in the event of the Directors electing to prepay these loans. The estimated cost of cancellation of these loans at 31 December 2005 was £56,000 (2004: £150,000).

Notes to the Financial Statements

	2005 £'000	2004 £'000
12. CALLED UP SHARE CAPITAL		
Authorised:		
230,000,000 (2004: 230,000,000) ordinary shares of 25 pence each	57,500	57,500
Issued, allotted and fully paid:		
Beginning of year		
98,207,453 (2004: 98,206,253) ordinary shares of 25 pence each	24,551	24,551
Issued during the year: nil (2004: exercise of 1,200 warrants)	-	-
End of year		
98,207,453 (2004: 98,207,453) ordinary shares of 25 pence each	24,551	24,551

	share premium account £'000	capital redemption reserve £'000	2005 other reserve £'000	capital reserve realised £'000	capital reserve unrealised £'000	revenue reserve £'000
13. RESERVES						
Beginning of year	44	1,780	60,369	(6,351)	(213)	(10,196)
Exchange gains/(losses) on other net assets	-	-	-	32	(4)	-
Net gain on realisation of investments	-	-	-	9,312	-	-
Increase in unrealised appreciation	-	-	-	-	42,658	-
Exchange gains on loans	-	-	-	-	364	-
Revenue loss for the year	-	-	-	-	-	(998)
End of year	44	1,780	60,369	2,993	42,805	(11,194)

14. NET ASSET VALUE PER SHARE

The basic net asset value per ordinary share is based on net assets of £121,348,000 (2004: £69,984,000) and on 98,207,453 (2004: 98,207,453) ordinary shares, being the number of ordinary shares in issue at the year end.

	2005 £'000	2004 £'000
15. RECONCILIATION OF NET RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Net return before finance costs and taxation	51,649	10,967
Capital return for the year	(52,362)	(11,516)
Net revenue loss before finance costs and taxation	(713)	(549)
Increase/(decrease) in other creditors	149	(54)
Decrease in other debtors	35	68
Overseas taxation suffered	(58)	(48)
Net cash outflow from operating activities	(587)	(583)

Notes to the Financial Statements

	2005 £'000	2004 £'000
16. RECONCILIATION OF NET CASH MOVEMENTS TO MOVEMENT IN NET DEBT		
Net debt at the beginning of the year	(15,393)	(13,412)
Net cash inflow/(outflow)	1,041	(2,611)
Fixed rate unsecured loans repaid	-	(16,049)
Fixed rate unsecured loans drawn down	-	16,049
Unrealised foreign exchange movement	(4)	36
Foreign exchange movement on fixed rate unsecured loans	364	594
Change in net debt	1,401	(1,981)
Net debt at the end of the year	(13,992)	(15,393)

	2005 £'000	Change in the year £'000	Exchange movements £'000	2004 £'000
Analysis of balances				
Cash at bank	1,710	1,041	(4)	673
Fixed rate unsecured loans	(15,702)	-	364	(16,066)
End of year	(13,992)	1,041	360	(15,393)

	share capital £'000	2005		share capital £'000	2004	
	£'000	loans £'000	total £'000	£'000	loans £'000	total £'000
17. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR						
Beginning of year	24,551	16,066	40,617	24,551	16,660	41,211
1.05% fixed rate unsecured loan repaid	-	-	-	-	(7,371)	(7,371)
2.155% fixed rate unsecured loan repaid	-	-	-	-	(8,678)	(8,678)
1.565% fixed rate unsecured loan drawn down	-	-	-	-	7,371	7,371
1.34% fixed rate unsecured loan drawn down	-	-	-	-	8,678	8,678
Change in value of fixed rate unsecured loans	-	(364)	(364)	-	(594)	(594)
End of year	24,551	15,702	40,253	24,551	16,066	40,617

Notes to the Financial Statements

18. FINANCIAL INSTRUMENTS

The investment objective of the Company is detailed in the Objective & Highlights on page 1. In pursuit of this objective, the Company may be exposed to various forms of risk, as described below.

The Company's financial instruments comprise:

- Equity shares held in accordance with the Company's investment objective and policies
- Cash, liquid resources and short term debtors and creditors that arise from its operations
- Yen borrowings to finance operations

The risks arising from the Company's financial instruments are market price risk, which comprises interest rate risk and foreign currency exposure, liquidity risk and counterparty credit risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies have remained unchanged since the beginning of the accounting period.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

Short term debtors and other short term creditors are excluded from the following analyses.

Market price risk

Market 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 and changes in exchange rates. 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 Investment 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.

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 Note 1 investments are now shown at fair value. In the case of cash, book value approximates to fair value due to the short maturity of the instruments. The exceptions are the long term fixed rate unsecured yen loans, whose fair values as at 31 December 2005 given below, have been calculated by discounting future cash flow at current yen interest rates.

	2005		2004	
	fair value £'000	book value £'000	fair value £'000	book value £'000
Fixed rate unsecured loan @ 1.565% per annum	7,608	7,404	7,883	7,576
Fixed rate unsecured loan @ 1.34% per annum	8,471	8,298	8,760	8,490
	<u>16,079</u>	<u>15,702</u>	<u>16,643</u>	<u>16,066</u>

Interest rate risk

The Company finances its operations through share capital raised. In addition, financing has been obtained through two Japanese yen denominated fixed rate unsecured bank loans, which fall due for repayment in August and November 2009. The Company is therefore not exposed to a financial risk arising as a result of any increase in yen interest rates on these loans. The fixed rate unsecured loan from The Royal Bank of Scotland plc of yen 1,499,040,000 was drawn down on 13 August 2004 for a period of five years at a fixed rate of 1.565% per annum. The Company pays a quarterly fixed fee of 0.915% less the quarterly LIBOR rate on the swap facility. The fixed rate unsecured loan from The Royal Bank of Scotland plc of yen 1,680,000,000 was drawn down on 25 November 2004 for a period of five years at a fixed rate of 1.34% per annum. The Company pays a quarterly fixed fee of 0.69% less the quarterly LIBOR rate on the swap facility. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions.

The Company's financial assets are mainly invested in equity shares and other investments which neither pay interest nor have a maturity date. The Company also has cash balances invested at short term market interest rates which therefore carry no material risk.

Notes to the Financial Statements

The interest profile of the Company's financial liabilities excluding short term creditors, as at 31 December 2005 and 2004 was as follows:

	2005			2004		
	fixed rate financial liabilities £'000	weighted average interest rate	weighted average period for which rate is fixed	fixed rate financial liabilities £'000	weighted average interest rate	weighted average period for which rate is fixed
Currency						
Yen	15,702	1.45%	45 months	16,066	1.45%	57 months

Foreign currency risk

The Company's total return and balance sheet can be affected by foreign exchange movements because the Company has assets and income which are denominated in currencies other than the Company's base currency (sterling).

The Board has identified three principal areas where foreign currency risk could impact the Company:

- Movements in rates affecting the value of investments and loans
- Movements in rates affecting short term timing differences
- Movements in rates affecting the income received

The Company does not hedge the sterling value of investments or other net assets priced in other currencies by the use of derivatives. However, it has increased finance available to the Company for its investment activities with foreign currency borrowing.

The Company might also be subject to short term exposure from exchange rate movements, for example between the date when an investment is bought or sold and the date when settlement of the transaction occurs. Income denominated in foreign currencies is converted to sterling on receipt.

The following is an analysis of the Company's currency exposure as at 31 December 2005 and 2004:

	2005			2004		
	currency monetary assets £'000	currency monetary liabilities £'000	net currency monetary assets £'000	currency monetary assets £'000	currency monetary liabilities £'000	net currency monetary assets £'000
Currency						
Yen	138,392	(16,553)	121,839	86,275	(16,102)	70,173
UK sterling	74	(569)	(495)	230	(419)	(189)
US dollar	4	~	4	-	-	-
Balance sheet total	138,470	(17,122)	121,348	86,505	(16,521)	69,984

Liquidity risk

The Company's assets mainly comprise readily realisable securities, which can be easily sold to meet funding commitments if necessary. Short term flexibility is achieved by the use of overdraft facilities as required. Details of the Company's borrowing commitments are explained in note 11.

The maturity profile of the Company's financial liabilities at 31 December 2005 and 2004 is as follows:

	2006 £'000	2005 £'000
After more than two years but less than five years	15,702	16,066

The Company does not have any undrawn committed borrowing facilities.

Notes to the Financial Statements

Counterparty risk

Certain transactions in securities that the Company enters into expose it to the risk that the counterparty will not deliver either the shares (on a purchase) or the cash (on a sale) after the Company has fulfilled its responsibilities. There is also a counterparty risk associated with deposit takers.

The Company buys and sells investments on a delivery versus payment basis to manage risk.

The Company only buys and sells investments through brokers which have been approved by the Manager as an acceptable counterparty. Additionally, limits are set as to the maximum exposure to any broker at any time, the limits being reviewed on a regular basis.

19. RESTATEMENT

In accordance with FRS25 the realised gain on warrants unexercised in the previous year has now been reported in the Reconciliation of Movements in Shareholders' Funds statement and not in the Income Statement. The effect of this change has been to reduce the capital return for the year ended 31 December 2004 from £21,713,000 to £11,516,000 and the capital return per ordinary share from 22.11p to 11.73p.

20. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 31 December 2005 (2004: nil).

21. TRANSACTIONS WITH THE MANAGER

The Directors have complied with the provisions of FRS8 which require disclosure of related party transactions and balances. Fidelity Investments International is the Manager and Secretary of the Company and details of the services provided and fees paid are given on pages 16 and 17.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Fidelity Japanese Values PLC will be held at 25 Cannon Street, London EC4M 5TA, on 27 April 2006 at 12 noon for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 December 2005.
2. To re-elect Mr Simon Fraser as a Director.
3. To re-elect Mr William Thomson as a Director.
4. To approve the Directors' Remuneration Report for the year ended 31 December 2005.
5. To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
6. To authorise the Directors to determine the Auditors' remuneration.

SPECIAL BUSINESS

Resolutions 7 and 8 will, if approved, authorise the Directors to allot a limited number of currently unissued ordinary shares 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 in issue on 14 March 2006. The Directors will only issue new shares 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.

To consider and, if thought fit, to pass the following resolutions of which Resolution 7 will be proposed as an ordinary resolution and Resolution 8 as a special resolution:

7. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £1,227,593 (approximately 5 per cent of the aggregate nominal amount of the issued share capital of the Company as at 14 March 2006) such authority to expire at the conclusion of the next Annual General Meeting 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.

8. THAT, subject to the passing of Resolution 7 set out above, the Directors be and they are hereby authorised, pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority given by the said Resolution 7 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited:

- a) to the allotment of equity securities in connection with a rights issue in favour of all holders of a class of relevant equity securities where the equity securities attributable respectively to the interests of all holders of securities of such class are either proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise); and
- b) to the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount of £1,227,593 (approximately 5 per cent of the aggregate nominal amount of the issued share capital of the Company as at 14 March 2006); and
- c) to the allotment of equity securities at a price of not less than the net asset value per share

and this power shall expire at the conclusion of the next Annual General Meeting 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.

Resolution 9 is a special resolution which, if approved, will renew the Company's authority to purchase its shares for cancellation. The limit set by the Board is 14.99% of the number of ordinary shares in issue on 14 March 2006. Purchases of shares will be made at the discretion of the Board and within guidelines set from time to time by the Board and in the light of prevailing market conditions. Purchases will only be made in the market at prices below the prevailing net

Notice of Meeting

asset value per share, thereby resulting in an increase in the net asset value per share.

9. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 of the Act) of shares of 25p each in the capital of the Company (the "shares") provided that:

- a) the maximum number of shares hereby authorised to be purchased shall be 14,721,297;
- b) the minimum price which may be paid for a share is 25p;
- c) the maximum price which may be paid for a share is an amount equal to 105% of the average of the middle market quotations for a share taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the share is purchased;
- d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company 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

Fidelity Investments International

Secretary
24 March 2006

Notes:

- 1 A shareholder entitled to attend and vote is entitled to appoint a proxy (or proxies) to attend and, on a poll, vote instead of him. A proxy need not be a shareholder of the Company.
- 2 A form of proxy is enclosed for use by shareholders. Completion and return of the form of proxy will not prevent a shareholder from subsequently attending the meeting and voting in person 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 notari ally or in some other way approved by the Directors), must be deposited with the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR 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.
- 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 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of Members of the Company at 5.30pm on 25 April 2006 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 5.30pm on 25 April 2006 shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- 6 Shareholders and any proxies or representatives they appoint agree by attending the meeting that they are expressly agreeing that they are willing to receive any communications, including communications relating to the Company's securities, made at the meeting.
- 7 No Director has a service contract with the Company.

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

Investing in Fidelity Japanese Values PLC

The Manager of the Company – Fidelity Investments International – offers a range of options, so that you can invest in the way that is best for you. As Fidelity Japanese Values PLC is a company listed on the London Stock Exchange you can also buy its shares through a stockbroker, share shop or bank.

INVESTING INSIDE AN ISA

A Fidelity ISA ("Individual Savings Account") can be an excellent way to get more from your investment, because you will not have to pay income or capital gains tax on your returns.

- up to £7,000 in a Maxi ISA
- up to £4,000 in a Mini Stocks and Shares ISA

The minimum investment in the Fidelity Investment Trust ISA is £1,000 as a lump sum, £250 as a top-up or £50 a month in a regular savings plan.

5 in 1 ISA – Fidelity Japanese Values PLC is one of five investment trusts managed by Fidelity. You can invest in the entire range through the Fidelity 5-in-1 ISA, which spreads your money equally across all five trusts. This offers a simple and convenient way to invest across Europe, the UK, Japan and Asia – giving you a broadly diversified portfolio in a single investment.

Charges – The standard initial charge for the Fidelity ISA is 3.5%. *There are no other charges for the Fidelity ISA, but the Company pays an annual management charge to Fidelity of 1% plus VAT, as set out in the Annual Report.*

MOVING MONEY FROM PREVIOUS PEPS AND ISAS

If you have opened ISAs or PEPs with other investment companies, you can move them into the Fidelity ISA and invest in Fidelity Japanese Values PLC without losing any tax benefits. This is known as a transfer and it can be a great way to give your portfolio a new focus, or to realign it with your current investment goals. Please note that during the transfer your money will not be invested in the stock market so you may miss out on any growth during this time.

Charges – The standard initial charge for a transfer is 3.5%. You will not have to pay any additional transfer costs. However, please bear in mind that your current ISA or PEP manager may ask you to pay an exit fee. The annual management charge is described above.

INVESTING OUTSIDE AN ISA

If you prefer to invest outside an ISA, or have already used your full ISA allowance, the Fidelity Investment Trust Share Plan offers you a low-cost and convenient way to put money into Fidelity Japanese Values PLC.

The minimum investment is £1,000 as a lump sum, £250 as a top-up or £50 a month in a regular savings plan.

Investing for children – The Share Plan is a flexible and inexpensive way to invest on behalf of children. All you have to do is enter the initials or name of the child in the Designation Box on the Share Plan application form.

Charges – There are no charges for buying, selling or holding shares through the Fidelity Investment Trust Share Plan other than Stamp Duty of 0.5%, which is currently payable on all share purchases. However, if you invest through a Financial Adviser, there may be an initial charge of up to 3% to pay for advice.

Holding shares directly – If you have shares in Fidelity Japanese Values PLC that you bought through a broker or share shop, you can transfer them into the Fidelity Investment Trust Share Plan. Doing this allows you to reinvest your dividends and make further investments without having to pay brokerage fees. You will also be able to set up a monthly savings plan and receive statements and valuations twice a year.

INVESTING ONLINE

You can invest online in Fidelity Japanese Values shares via www.fidelity.co.uk/sharenetwork. Fidelity Share Network enables you to buy or sell shares in any listed company during normal London Stock Exchange trading hours – between 8 am and 4.30 pm any working day. Shares in Share Network can either be held direct or in an ISA, subject to the normal ISA limits and restrictions. You will be shown a live price and be able to buy or sell immediately. If an order is placed when the market is closed, it will be processed as soon as the market re-opens. Unlike many on line share dealing services, Fidelity Share Network gives you CREST personal membership for shares held

KEEPING YOU UPDATED

The share price of Fidelity Japanese Values PLC appears daily in The Financial Times. Price and performance information is also available at fidelity.co.uk/its

Investors can obtain the real-time share price by phoning FT Cityline on 0906 843 4021. Calls cost 60p a minute.

Investing in Fidelity Japanese Values PLC

direct. This means that shares are registered on the CREST system in your own name and everything relating to your shares – dividends, annual reports and so on – will be sent direct to you and you will be able to attend and vote at shareholder meetings in your own name. *Personal CREST membership does not apply to ISA holdings which must be held in the name of the ISA manager's nominee under ISA regulations.* Fidelity Share Network has a very competitive cost structure. Share purchases or sales are executed on line for only £9 per trade. (Stamp duty is also payable on purchases at the rate of 0.5%). There is an account *administration fee of £5 per month, however many different shares you own and whatever their value.*

CONTACT INFORMATION

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

Financial advisers: call free to 0800 41 41 81, 8am to 6pm, Monday to Friday.

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

Holders of ordinary shares – Capita Registrars,
Registrars to Fidelity Japanese Values PLC,

The Registry, 34 Beckenham Road, Beckenham, Kent
BR3 4TU Telephone: 0870 162 3100

Share Plan investors – Fidelity Investment Trust Share
Plan, Lloyds TSB Registrars, The Causeway, Worthing,
West Sussex BN99 6DA

ISA/PEP investors – Fidelity, using the freephone
numbers given opposite, or by writing to:

UK Customer Service, Fidelity Investments, Oakhill
House, 130 Tonbridge Road, Hildenborough,
Tonbridge, Kent TN11 9DZ

Fidelity ShareNetwork:
www.fidelity.co.uk/sharenetwork

General enquiries should be made to Fidelity, the
Investment Manager and Secretary, at the Company's
registered office:

Fidelity Investments International
Investment Trusts
Beech Gate, Millfield Lane, Lower Kingswood,
Tadworth, Surrey KT 20 6RP

Internet site: <http://www.fidelity.co.uk/its>

FURTHER INFORMATION

For application forms or more information about any of the investment options described here,
please call the Fidelity Investment Trust Line
on 0800 41 41 10 and talk to a Fidelity customer representative (9am to 6pm).

*Alternatively, you may like to visit the Fidelity London Investor Centre at 25 Cannon Street,
next to St Paul's Cathedral.*

You can also find out more by visiting fidelity.co.uk/its or contacting your

Financial Adviser. The Fidelity Individual Savings Account ("ISA") is offered and managed by Financial
Administration Services Limited. The Fidelity Investment Trust Share Plan is managed by Fidelity
Investments International. Both companies are authorised and regulated by the Financial Services
Authority. The Fidelity Investment Trust Share Plan is administered by Lloyds TSB Registrars and shares
will be held in the name of Lloyds TSB Registrars Savings Nominees Limited. The value of savings and
eligibility to invest in an ISA will depend on individual circumstances and all tax rules may change in
the future. Fidelity only provides information about its products and will not give investment advice
based on individual circumstances. Should you wish to seek advice please contact a Financial Adviser.
Issued by Fidelity Investments International.

The Fidelity Investment Trusts are managed by Fidelity Investments International. The value of investments can go down as well as
up. For funds that invest in overseas markets, changes in currency exchange rates may affect the value of your investment. Investments
in small and emerging markets can be more volatile than other more developed markets. CB26280