FIDELITY JAPAN TRUST PLC

Final Results for the year ended 31 December 2024

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Financial Highlights:

- During the year ended 31 December 2024, Fidelity Japan Trust PLC (â€œthe Companyâ€) reported a Net Asset Value (NAV) total return of -1.8% while the Reference Index, the TOPIX Total Return Index (in sterling terms), rose +10.0%.

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- Over the same period, the ordinary share price total return of the Company was -5.7%.

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- Following news of the retirement of Nicholas Price at the end of 2025, his Assistant Portfolio Manager, Ying Lu, will become the Portfolio Manager of the company with effect from 1 October 2025.

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- The Board is proposing an unconditional tender offer of 100% of the Companyâ€™s issued share capital following the three years to 31 December 2027.

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CHAIRMANâ€™S STATEMENT

I am pleased to present the Annual Report of Fidelity Japan Trust PLC for the year ended 31 December 2024. However, it is disappointing to report that it proved to be another difficult year for the investment style of the Company notwithstanding a positive return for the overall market. The TOPIX Total Return Index (the Reference Index) rose by 10.0% over the year in sterling terms. By comparison, the Companyâ€™s net asset value (NAV) fell by 1.8% over the year and the share price fell by 5.7% reflecting a widening in the discount at which the shares are traded. This now means that the three and five year returns for the Company are disappointingly behind the Index and have also lagged competitor funds.

The Company has an all-cap mandate and Nicholas Price, your Portfolio Manager, is not constrained by size or style and can invest across the range of Japanese companies. However, the decision to be overweight in small and mid-cap growth companies, where research is rewarded and where Nicholas and the highly experienced Fidelity team have historically found many of the best opportunities, contributed significantly to the underperformance. The change in interest rates damaged valuations in this part of the market and there were some flaws in stock-picking, as evidenced by the disappointing earnings results from some of the companies involved in the factory automation sector.

Illustrative of the challenges of being a growth orientated manager in Japan, it is interesting to note that the MSCI Japan Value Index has risen by 42.2% in sterling terms over the three years to 31 December while the MSCI Japan Growth Index has fallen by 3.7% over the same period.

DISCOUNT MANAGEMENT, SHARE REPURCHASES AND TREASURY SHARES
The Board has an active approach to discount management, the primary purpose of which is to reduce discount volatility. Over the course of the year, 10,828,535 ordinary shares were repurchased for holding in Treasury, at a cost of Â£18,857,000. This represented 8.0% of the issued share capital of the Company as at 31 December 2024 and added 1.3% to the NAV total return for the year. Subsequent to the year end and up to the latest practicable date of this report, the Company has repurchased a further 1,532,679 shares at a cost of Â£2,676,000. Historically, shares bought back were held in Treasury and could be issued at a later date should the share price move to a premium to NAV per ordinary share. As the number of shares held in Treasury equated to 15% of the issued share capital by 20 January 2025, shares repurchased since then have been cancelled.

While we would like to see our share price discount to NAV in single figures, discounts have remained wide across the whole investment companiesâ€™ universe, averaging 14.7% at the end of 2024. The Companyâ€™s shares began the year under review at a 9.5% discount and ended it at 13.1%.

At the forthcoming Annual General Meeting (AGM) on 21 May 2025, the Board is seeking to renew the annual authority to repurchase up to 14.99% of the Companyâ€™s shares, to be either cancelled or held in Treasury, as it has done each year previously.

A sustained reduction in the discount of the Company is only likely if broad investor interest in Japan continues to increase and the investment performance recovers. Meanwhile, the Board and the Manager will continue their efforts to raise the Companyâ€™s profile and promote the investment opportunities in the Japanese equity market.

ONGOING CHARGES RATIO
The ongoing charges ratio for the year, including the variable element, is 0.83% (2023: 0.84%). This comprises a fixed charge of 1.03% (2023: 0.99%) and a variable credit of 0.20% (2023: 0.15%), the maximum refund under the variable fee arrangement. The variable management fee credit is due to the Companyâ€™s underperformance in comparison to its Reference Index on a rolling three-year basis.

The Board believes that the variable fee arrangement whereby the Manager is rewarded for outperformance, but shareholders are rebated if the portfolio underperforms, is a significant corporate governance benefit for investors.

GEARING
The Board continues to believe that gearing is a distinct advantage of the investment trust structure and will benefit the performance of the Company. The Companyâ€™s use of long Contracts for Difference (CFDs) is a differentiating factor, providing more flexibility and at a low-er cost than traditional bank debt. The level of gearing remained fairly constant in the year under review, beginning 2024 at 23.1% and standing at 24.0% at the year end.

UNLISTED COMPANIES
While there is authority from shareholders for the Company to invest up to 20% of its assets in unlisted companies, the Board has limited the proportion of

the portfolio held in unlisted companies to a maximum of 10% while the IPO market in Japan remains lacklustre.

The actual exposure to unlisted holdings at the end of the year was 6.6% of net assets (2023: 6.3%) across a total of seven companies. This is unchanged from last year.

Twice yearly, the Audit Committee meets specifically to review the unlisted investments together with Fidelityâ€™s Fair Value Committee, Fidelityâ€™s unlisted Asian investments specialist and representatives from Kroll, the independent valuation specialists.

Further details can be found in the Portfolio Managerâ€™s Review below.

DUE DILIGENCE TRIP
As detailed in the half-yearly report for the six months ended 30 June 2024, the Board was pleased to undertake a due diligence trip to Japan last June, spending time with the investment management and analyst teams and meeting some of the Companyâ€™s investments with them. The visit was invaluable in terms of giving the Board an understanding of the depth of analyst resources supporting the Portfolio Manager, reinforcing the continued confidence of the Board in Fidelity, Nicholas and the investment team around him, and underscoring our belief that the Company will benefit when there is a market rotation back into growth orientated stocks and some of the medium-sized and smaller companies held in the portfolio.

BOARD OF DIRECTORS
As covered in the 2023 Annual Report, Dominic Ziegler retired from the Board at the May 2024 AGM after nine years of excellent service. Seiichi Fukuyama joined the Board as a non-executive Director with effect from 1 March 2024 and was elected by shareholders at the AGM in May 2024. There have been no other changes to the Board over the year. All five Directors will be standing for re-election at the AGM on 21 May 2025 and their biographies can be found in the Annual Report. Between them they have a wide range of appropriate skills and experience and the diversity of perspectives necessary to form a balanced Board for the Company.

ANNUAL GENERAL MEETING
Once again, we will be holding a â€˜hybridâ€™ AGM, allowing attendance and voting in real time online as well as in person. The AGM is a valuable opportunity for us as a Board to engage with shareholders. Nicholas Price will be making a presentation, considering the year under review, and outlining the opportunities in the market and prospects for the year ahead. The Board and Nicholas will be very happy to answer questions from shareholders attending both in person and virtually. Japanese refreshments will be served to attendees, and we look forward to seeing many of you there.

Further details of the AGM are set out in the Annual Report.

PORTFOLIO MANAGER CHANGE AND CONTINUATION VOTE
The Board has recently been notified that the Portfolio Manager, Nicholas Price, plans to retire at the end of this calendar year after a 30 year career with Fidelity in Japan. His Assistant Portfolio Manager, Ying Lu, will become the Companyâ€™s Portfolio Manager with effect from 1 October 2025. Nicholas will continue to work with Ying until the end of the year. Ying has been working closely with Nicholas for the past three years and so we do not expect any change in the approach to the investment management of the Company.

The Board continues to believe that the Fidelity investment team in Japan is one of the best resourced in the industry. We also believe that we will see a reversion to a market environment where the investment style of the Fidelity team will once again generate the significant outperformance that we have seen in the past and particularly the years ended 2019 and 2020. Illustrating how quickly things can change, it is worth noting that in December 2024 alone, the NAV of the Company rose by 5.2% and the share price by 5.8% against an Index increase of 0.9%.

Notwithstanding our strong backing for Nicholas and the Fidelity team, we recognise that continued underperformance would be unacceptable to our shareholders. Accordingly, linked to the vote for the continuation of the Company at the forthcoming AGM, we are proposing an unconditional tender offer of 100% of the Companyâ€™s issued share capital (excluding shares held in Treasury) following the three years to 31 December 2027. The tender will be at a price close to NAV.

Shareholders may ask why the Board is recommending continuation without an immediate cash exit after this period of underperformance. Investment performance has an element of cyclicality, outcomes are unpredictable and investing requires an ability to withstand the gyrations of the markets and take a long-term view. The question for the Board and shareholders is whether a well-resourced and experienced team with a strong historic track record should be dismissed based on the last three years, or whether there is a strong possibility that the current growth-oriented portfolio, highly differentiated from the Reference Index, will emerge from its recent trough/doldrums and deliver the sorts of returns that we and shareholders expect. The Board has taken this view.

The tender offer will be in place for the Companyâ€™s Annual General Meeting to be held in May 2028.

ARTICLES OF ASSOCIATION
The Board is proposing to extend the time period to draw up proposals regarding the Companyâ€™s voluntary liquidation and/or reorganisation and hold a general meeting at which they are submitted to members in the event of an unsuccessful continuation vote, from three to six months. The proposed new time period, which runs from the date of the general meeting at which the unsuccessful vote occurs, is felt to provide a more practicable period to allow proposals to be fully considered and to be in line with market practice.

We have also taken the opportunity to make other changes of a minor, clarificatory or technical nature, including clarifications in relation to hybrid general meetings to follow how practice has developed. However, the amendments do not provide for, and the Board has no intention to move to, fully virtual meetings. A full tracked version of all the changes proposed to the Articles is available at **www.fidelity.co.uk/japan**. The principal changes proposed to the Articles are set out in more detail in the Annual Report.

OUTLOOK
As mentioned, the Company has generated significant outperformance in the past, and we have every reason to believe that Nicholas, Ying and the Fidelity investment team will do so again. While underperformance is always disappointing, it is at least understandable in times where a tried-and-tested investment approach is at odds with the prevailing market mood. The team are resolute in their commitment to identifying companies where the market is underestimating or mispricing future growth, including those which may be at an early stage of their development, and their bottom-up stock selection approach and multi-cap focus has the full backing of the Board. Where share prices have declined, this has only served to make low valuations even more compelling for businesses with good long-term growth prospects.

The broadening out of the TSE reforms remains encouraging and should lead to a clear improvement in capital efficiency and shareholder returns in companies further down the market cap scale than those that have led the performance of the broad Japanese market in the past two years. Meanwhile, valuations of growth stocks remain low in historical terms and relative to other markets, despite the Japanese market featuring many companies positively exposed to global megatrends such as the growth of artificial intelligence. The Bank of Japan seems committed to a return to positive interest rates, and a sustained but modest level of inflation in both wages and prices could boost consumer and business confidence. Another area of support for the market can be seen in the increase in merger and acquisition activity in Japan, most notably being the recent US 47 billion bid for convenience store operator 7-

Eleven by the Canadian company that owns rival retailer Circle K.

Your Board remains focused on ensuring the Company returns to delivering strong investment performance and is confident that the portfolio is well placed to benefit from this more positive outlook for the Japanese market.

DAVID GRAHAM
Chairman
26 March 2025

PORTFOLIO MANAGERâ€™S REVIEW

QUESTION
The performance for the year under review has remained challenging given the positive headlines of recovery in Japan. Why is that and what were the key drivers of the Japanese stock market?

ANSWER
It is disappointing to report to our shareholders on another year of poor performance against favourable headlines in Japan and the country being in a new bull market, driven by corporate governance reforms, a weak yen boosting profits and increasing activist and private equity involvement creating a more dynamic market for corporate control. On why the Company could not capture this beta, I would say that being on the ground in Japan, my bottom-up approach tends to focus on relatively lesser-known growth companies, often mid-caps with strong business models, new technology companies or those having strong positions in emerging growth markets. By buying these companies at cheap valuations, I am aiming to find future drivers of long-term performance for the Company. However, the short-term attention of the market since the 2023 implementation of the Tokyo Stock Exchange (TSE) reforms has been on low price-to-book ratio, ex-growth and old economy large-cap companies, often with large cash balances, which can be persuaded into doing large buybacks and increasing leverage. As this drives up short-term shareholder returns, there has been a large allocation of capital and market capitalisation away from growth areas of the market to companies that do not need that capital. Thereby, while most of the companies in the portfolio have executed well in terms of profit growth, the valuation contraction in the mid-cap segment of the portfolio has meant that the premium paid historically for sustainable mid-term higher return and growth companies has been effectively wiped out, at least temporarily.

QUESTION
What were the key contributors and detractors for the performance of the Company in the year to 31 December 2024?

ANSWER
The major contributors to performance over the year included **Ryohin Keikaku**, operator of the MUJI brand of general merchandise stores. Management is executing incredibly well, and the business is generating double-digit sales growth domestically and in China, where a combination of internal initiatives and macro factors are supporting a pickup in demand. In Japan, strong sales growth, underpinned by successful new products, and price hikes are leading to lower discounts and higher profit margins. **Sanrio** is a Japanese entertainment company that sells â€˜Hello Kitty and friendsâ€™ merchandise and operates â€˜Hello Kittyâ€™ theme parks. The company is ideally placed to capture the structural growth of the Japanese character intellectual property (IP) market and its strategies in the licensing business are working very well in both North America and China, which contributed to an improvement in its overall profitability. Sanrio recently upgraded its full-year guidance and I expect the company to deliver double-digit profit growth over the next two to three years, justifying its valuation premium. **Recruit Holdings**, a global media and staffing company, made progress in improving the monetisation of its online job-matching platform â€œIndeedâ€ and that helped to offset slowing job openings in the US. The companyâ€™s commitment to enhancing capital efficiency and increasing shareholder returns provided further share price support. Among financials, mega bank **Mizuho Financial Group** reported fiscal 2024 interim results that exceeded consensus forecasts due to a combination of higher interest rates, growth in non-interest income and the unwinding of cross shareholdings. The company announced a share buyback and dividend hike alongside its earnings release, and as a relative laggard it is starting to catch up with its peers in terms of earnings and stock price performance.

The most significant detractors from performance over the 12-month review period included **Mitsui High-tec**, a leading supplier of hybrid/EV motor cores and leadframes, which is an essential component that connects semiconductor chips and external circuitry. Prolonged inventory adjustments of leadframes and sluggish demand for motor cores prompted the company to announce a downward revision to its full-year earnings forecast. However, leadframes appear to be at the bottom of the cycle and renewed growth in the motor core segment, supported by further hybrid penetration, is expected to lead to a recovery in earnings and a rerating from its current 10x price-to-earnings level. **Harmonic Drive Systems**, a leading manufacturer of mechatronic drive systems and precision gears for industrial robots, negatively revised its fiscal 2024 earnings guidance due to the slow pace of recovery in the factory automation (FA) sector, which reflects protracted inventory destocking. We retain our view that a sequential improvement in orders and an upturn in valuations will take place in 2025. Funeral services operator **Kosaido Holdings** was a strong performer in 2023 but faced profit taking at the start of the review year. Its share price came under further pressure following the resignation of its President and CEO, Hiroshi Kurosawa. Despite the change in management, we expect the companyâ€™s efforts to expand capacity and maximise its existing crematorium facilities to support future earnings growth. Given the largely predictable nature of the funeral business cash flows, we believe that it is substantially undervalued versus other similar listed businesses. Bicycle component maker **Shimano** negatively revised its full-year profit forecasts due to currency losses. However, inventory adjustments were expected to finish by year-end and demand in key markets is set to normalise.

The ten highest stock contributors and detractors to the NAV total return on a relative basis are shown in the Annual Report.

QUESTION
How has the Companyâ€™s portfolio changed over the period? Are there any sectors in which you are particularly interested?

ANSWER
Against this backdrop, the task has been to continuously re-test arguments for holding every name in the portfolio and selling those that do not exhibit the excellent execution/valuation anomalies that underpin our investment approach. I believe that these future drivers of performance will work when fundamentals reassert themselves. In the short-term, the market is a voting machine but over the longer-term it is a weighing machine, and cheap mid-cap growth with favourable fundamentals will find favour again. As such, I expect a clear mean reversion in the performance of mid-cap companies, which account for around 50% of the Companyâ€™s active weight.

With the guidance of the Board, I have also placed renewed emphasis on the Company being an all-cap portfolio that will do well even if a large-cap market continues to dominate. I have re-allocated the capital from names that did not meet our criteria to larger-cap growth names such as **Recruit Holdings** and **Ajinomoto** in the food sector. Given the interest rate regime change in Japan, I have also added to financials names such as **Sompo Holdings** and **Mizuho Financial Group**. This has created a better sectoral balance in the portfolio, while maintaining an 80% (ungeared) active money ratio but having around half of the portfolio in larger caps. In this way, I anticipate that we will be able to deliver better performance in a large-cap dominated market and still maintain the ability to outperform strongly when the market favours stocks further down the market-cap scale through our core bottom-up stock picking process.

QUESTION

Tokyo Stock Exchange (TSE) initiatives for corporate reform have initially been concentrated in large-cap companies. What are your expectations for growth names and mid-cap companies in 2025?

ANSWER
So far, the highest disclosure rates have been concentrated in large-cap, low price-to-book companies in sectors including banks, shipping, utilities and commodities. However, the TSE-led reforms are broadening out across the market. Through our engagements, we are seeing growth and mid-cap companies becoming more active in their shareholder returns. Given that mid/small-caps have a large presence both in absolute numbers and the proportion that trade below book value, there are grounds for optimism.

Many mid/small-cap companies have solid balance sheets with high net cash to market capitalisation ratios, which means that they can easily conduct share buybacks to improve their returns on equity (RoE). As we have already seen among larger companies, higher rates of disclosure translate into better share price performance, and in 2025 mid/small-caps are likely to emulate these trends.

From a valuation perspective, Japanese mid/small-caps are trading at a steep price-to-book discount to the larger-cap indices and have lost the price-earnings premium that was a constant feature of the past decade or so. As we have seen in the past, when the valuation cycle widens to such an extreme level, it tends to snap back and compliance with the TSE reforms can prompt this.

Interestingly, in addition to a rise in share buybacks, we are seeing a clear increase in corporate activity through management buyouts, tender offers and mergers and acquisitions (M&A) more broadly. As noted by KKR founder Henry Kravis, Japan has more than 3x the number of listed subsidiaries than the US and more than half of the listed companies trade below book. There is also an increased focus on the need to accelerate the unwinding of cross shareholdings. In a historically overcapitalised market, where there is a clear drive to improve capital efficiency and restructure balance sheets, this trend of de-equitisation is positive for the mid-to-long term outlook.

QUESTION
What engagements did you conduct over the year?

ANSWER
In 2024, the engagement team in Tokyo, led by our Head of Engagement, conducted 100 meetings (in addition to our fundamental research meetings), covering 22 names held by the Company. Against a backdrop of increasing governance reform under the auspices of the TSE, the majority of the engagements were focused on governance, capital allocation and long-term strategy.

In terms of specific engagements with investee companies, we worked with **Riken Keiki**, a world leader in gas detectors, to develop its capital strategy and tackle its low price-to-book ratio. The company has an excellent business model with stable long-term profit and free cashflow growth among Prime companies, but its price-to-book ratio is low, and the denominator of returns on equity (RoE) is inflated due to excessive equity capital in pursuit of stability, resulting in poor capital efficiency. The company understands the points raised and is preparing to respond to the TSE. We requested the company to strengthen its investor relations (IR) activities, especially to increase the number of IR meetings from twice a year to avoid inadvertent underperformance of the stock price.

In September, our engagement team met with a senior managing director from **Uyemura**, a niche mid-cap chemicals company focused on cutting edge plating for printed wiring boards and electronic components used in smartphones and cars, to follow up on an earlier meeting in 2023. The company has high margins, strong cashflow generation capabilities, and large cash balances, but a low third-party rating and low capital efficiency are impacting its valuation. The company has shown tangible progress and enhanced its governance checks, for example by creating a nomination & renumeration committee, as well as increasing buybacks. We believe that Uyemuraâ€™s initiatives are better than disclosed and with time and enhancements to their disclosure, this can improve further.

Around the same time, we engaged with industrial electronics company **Mitsubishi Electric**. In terms of its business strategy, we discussed the companyâ€™s efforts to implement structural changes, moving from a pure hardware player to a software and solutions provider, and bridge the profitability gap with its US and European peers. We explained that the current level of disclosure is insufficient to accurately gauge its progress on reforms and that information at a segmental level would enable investors to assess the capital efficiency of its various businesses and thereby attain a holistic view of its overall portfolio. On the governance side, we spoke about the need to address the companyâ€™s cross shareholdings and the low valuations of its listed subsidiaries. Management agreed and it was reassuring to hear that they had identified the same issues internally. At the same time, we encouraged the company to establish a clear dividend policy given its ability to generate stable free cashflows, a move that would provide reassurance to investors should the cyclical environment change.

QUESTION
What is your approach to gearing? And what impact did it have on returns during the year?

ANSWER
The level of gearing was little changed over the year and closed the year at 24.0% (versus 23.1% at the end of 2023). If we see a sustained uptrend in Japanese stocks, then I would be inclined to reduce the level of gearing employed. However, I am happy with where market valuations currently stand, and the leverage is deployed in stable growth companies rather than high beta names. So, overall, I am comfortable with the Companyâ€™s current positioning. Over the course of 2024, the CFDs had a modest positive impact on absolute returns, notably through the exposure to speciality retailer **Ryohin Keikaku** and HR company **Recruit Holdings**.

QUESTION
How has the Companyâ€™s exposure to unlisted companies changed during the year under review?

ANSWER
As always, we continue to evaluate new opportunities, while maintaining a disciplined approach towards valuations. At the end of the review period, we continued to hold seven unlisted names, representing 6.6% of net assets. While there were no changes during the review period, we expect specific unlisted companies held in the portfolio to list in 2025.

QUESTION
There are many geopolitical uncertainties in 2025. What will you be focusing on in the year ahead?

ANSWER
Turning to the outlook for 2025, there are many geopolitical uncertainties and unknowns, so I am focusing stock selection based on individual companyâ€™s self-reliance and growth drivers, and where the market is substantially mis-pricing the growth potential. **Ryohin Keikaku**, which runs the MUJI brand, is one such stock. Under a new management team, it has substantially transformed its marketing and development and internal management systems, and with successful products starting to emerge, it has substantial room to increase profitability as it ramps up changes to its supply chain management. Our internal estimates are substantially ahead of the street and the stock trades at around half the multiple of its domestic counter parts such as Fast Retailing (Uniqlo) despite faster growth, leaving significant upside potential for the stock in the year ahead. Another example is **Recruit**

Holdings, which owns a job platform called â€œIndeedâ€. The key catalyst for Recruit as a dominant global job platform with pricing power is to raise its take rate from the current low 1% to 2-3% over the mid-term, which would substantially boost its earnings outlook versus consensus. Among mega-cap financials, insurer **Sompo Holdings** with better balance sheet management is offering an 8% total shareholder return and remains very discounted to its global and domestic peers.

Within the mid-cap space, many double-digit growers â€“ such as **Kosaido Holdings** (funerals), **Mizuno** (sports) and **Premium Group** (auto finance) â€“ are all trading at deeply discounted price-to-earnings valuations and are potential sources of future performance as their earnings growth continues to come through. One top active position is **Osaka Soda** whose performance was poor in 2024 after strong gains in 2023. We think the market is underestimating the potential of its silica gel which is used in the GLP-1 market for obesity drugs. The company will also benefit when generics start to appear from 2026 and massively increase the size of the branded drugs market.

I would also add that I expect some of the unlisted companies held in the portfolio to list in 2025, which may offer some upside versus their current assessed valuations. In particular, I would highlight the position in **GO Inc**, the largest taxi ride hailing app in Japan with 75% market share, which is growing rapidly and recently announced an exclusive tie up with Waymo in self-driving taxis in Japan.

QUESTION
The Companyâ€™s underperformance compared to the Reference Index this year and over the longer-term is disappointing for shareholders. What have been the key drivers and what are your expectations for the coming months?

ANSWER
What can we learn from looking at past performance? From January 2019 to January 2022, the Companyâ€™s cumulative relative return was up by 45% but from January 2022 to December 2024 it was down by 35% relative to the market, giving up most of the gains from the previous three years. In the first period, an overweight exposure to the cyclical technology sector, which enjoyed a post-COVID boom, and bottom-up stock selection generally added a lot of value. The main detractors were more expensive internet-related names, which did well at the beginning of the pandemic but declined afterward especially as valuation multiples came down.

Turning to the second period, bottom-up stock selection was broadly negative, as was sector selection (especially being underweight in banks and insurance). In terms of stock selection, there were two main buckets of underperformance: China-related factory automation (FA) companies and small-cap internet-related names that experienced a contraction in their valuation multiples. Where are we now with this? For the names that I continued to hold in the internet space, such as **Raksul**, the valuations are in line with the market despite their much higher earnings growth rates, so the upside/downside risks are now skewed to the upside. Similarly, for FA names such as **MISUMI Group**, most of them have re-oriented their businesses away from China over the last two years to other Asian countries, and to the US, and are growing again. They remain under-owned and offer an attractive risk-reward balance for 2025.

In this second period and looking specifically at 2024 performance, stock selection was negatively impacted by weaker sentiment towards the FA space and the recovery potential for names such as **Harmonic Drive Systems**, as well as **Mitsui High-tec** in the automobile sector. These factors negated the strong performance of some of the unique names in the portfolio, such as **Sanrio** (anime characters) and **Yonex** (sports equipment). Our analysis shows that most of the underperformance was due to temporary one-off issues and that the companies are already recovering as we enter 2025. As such, they are worthwhile retaining to enjoy a large upside potential to mid-term earnings from hybrid cars for **Mitsui High-tec** and a recovery in the robot market and the growth of humanoid robots for **Harmonic Drive Systems**.

As detailed above, reorientating the portfolio further towards an all-cap focus, I have increased the Companyâ€™s positions in high-conviction names such as **Ryohin Keikaku** (MUJI) and **Olympus** (endoscopes) by using the proceeds from selling some of the older poorly performing positions (**Kansai Paint** and **Oriental Land**) and some profit taking in strong performers (**Tokyo Electron** and other semiconductor-related names), and combined with a more diversified sector allocation, I am confident that this will pay off in better performance in 2025.

NICHOLAS PRICE
Portfolio Manager
26 March 2025

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT
As required by provisions 28 and 29 of the 2018 UK Corporate Governance Code, the Board has a robust ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the Company, including those that could threaten its business model, future performance, solvency or liquidity. The Board, with the assistance of the Alternative Investment Fund Manager (FIL Investment Services (UK) Limited/the â€œManagerâ€), has developed a risk matrix which, as part of the risk management and internal controls process, identifies the key existing and emerging risks and uncertainties that the Company faces. These are set out below.

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

The Board considers the risks listed below as the principal risks and uncertainties faced by the Company.

Principal Risks	Mitigation
Geopolitical Risk Geopolitical risk is the potential for political, socio-economic and cultural events, trends and developments to have an adverse effect on the Companyâ€™s assets. In Asia, the key geopolitical risks stem from China and the tensions with the United States over trade and the future of Taiwan; and the potential of North Korean aggression and its impact on the region. In addition, there is threat from the new administration of President Trump that significant tariffs may be introduced on certain Japanese imports, including autos. Elsewhere, there is increased global economic uncertainty from the ongoing war in Ukraine and continued conflict in the Middle East.	The Board is provided with a detailed investment review which covers material economic, market and legislative changes at each Board meeting as well as receiving periodic updates from economic and political commentators in the region. Although it is unclear how long the war in Ukraine and the temporary ceasefire in the Middle East conflict will last amid evolving foreign policies for crisis talks sparked by President Trumpâ€™s administration, the direct impact for Japan is not significant. The impact on the Companyâ€™s portfolio of holdings is also relatively limited. However, the ramifications of a global downturn could have a significant impact on the Japanese economy. The Portfolio Managerâ€™s Review above provides further detail on some of the risk factors.
Investment Performance and Gearing Risks The portfolio is actively managed and performance risk is inherent in the investment	

process. The achievement of the Companyâ€™s investment performance objective relative to the market requires the taking of risk, such as strategy, asset allocation and stock selection, and may lead to NAV and share price underperformance compared to the Reference Index.

The portfolio has unlisted investments which, by their very nature, involve a higher degree of valuation and performance uncertainties, liquidity risks and possible delays in listing until market conditions are favourable.

The Portfolio Manager is responsible for actively monitoring the portfolio selected in accordance with the asset allocation parameters and seeks to ensure that individual stocks meet an acceptable risk/reward profile. The emphasis is on long-term results as the Company is more exposed to volatility in the shorter-term.

The Board closely monitors the valuations of the unlisted investments through the Managerâ€™s Fair Value Committee, which includes input from Fidelityâ€™s analysts covering the unlisted companies as well as Fidelityâ€™s unlisted investments specialist. In addition, advice is obtained from a third-party valuation specialist company (Kroll). Details of the unlisted investments valuation process is in in the Annual Report. The Board sets limits and guidelines for the Portfolio Manager as to how much of the Companyâ€™s net assets can be held in unlisted securities. The limit approved by shareholders is 20% of net assets. As at 31 December 2024, the Companyâ€™s unlisted investments represented 6.6% of net assets.

The Company has the option to make use of loan facilities or to use CFDs to invest in equities. The principal risk is that the Portfolio Manager may fail to use gearing effectively. Other risks are that the cost of gearing may be too high or that the term of the gearing is inappropriate in relation to market conditions.

The Company gears through the use of long CFDs which are currently cheaper than bank loans and provide greater flexibility. The Board regularly considers the level of gearing and gearing risk and sets limits within which the Portfolio Manager must operate.

Natural Disaster Risk

Japan is extremely vulnerable to earthquakes and tsunamis. Depending on the magnitude of such events, positions in the portfolio may be affected. The Manager could also be impacted from an operational perspective if the epicentre is in or near Tokyo.

Whilst natural disasters cannot be averted, the Board is comfortable that the Manager has a robust business continuity plan in place.

Market, Economic and Currency Risks

The Companyâ€™s assets consist mainly of listed securities. Therefore, its principal risks include market related risks such as market downturn, interest rate movements, deflation/inflation and exchange rate movements. The Portfolio Managerâ€™s success or failure to protect and increase the Companyâ€™s assets against this background is core to the Companyâ€™s continued success.

Most of the Companyâ€™s assets and income are denominated in yen. However, the functional currency of the Company in which it reports its results is sterling. Consequently, it is subject to currency risk on exchange rate movements between the yen and sterling.

These risks are somewhat mitigated by the Companyâ€™s investment trust structure which means no forced sales will need to take place to deal with any redemptions. Therefore, investments can be held over a longer time horizon.

Risks to which the Company is exposed in the market risk category are included in Note 16 to the Financial Statements below together with summaries of the policies for managing these risks.

It is the Companyâ€™s policy not to hedge against currency risks. Further details can be found in Note 16 to the Financial Statements below.

Competition Risks and Marketplace Threats

There are increased threats facing the Company within the current market environment of increased mergers and acquisitions activity. Other external pressures include the Companyâ€™s ability to maintain and grow the business, and a loss of shareholders if the demand for investment trusts decline and the demand for passive funds and holistic/digital finance offerings continue to increase.

The Board, the Companyâ€™s Broker and Manager closely monitor industry activity and the peer group, and an annual review of strategy is undertaken by the Board, to ensure that the Company continues to offer a relevant product to shareholders.

Discount Control and Demand Risks

There is a risk that the Companyâ€™s shares trade at a persistent and significant discount to the NAV.

The market value of the Companyâ€™s shares and its discount to NAV are factors which are not wholly within the Boardâ€™s total control. The Companyâ€™s share price, NAV and discount volatility are monitored daily by the Manager and the Companyâ€™s Broker and considered by the Board regularly. The Board endeavours to exercise some short-term influence over the discount through share repurchases, but it can prove challenging if market sentiment is not supportive of Japanese equities.

There is a risk that the demand for the Companyâ€™s shares may fall due to poor performance, changes in investor sentiment and attitudes towards investment in Japan.

The demand for shares is influenced by the appeal of Japanese markets and through good performance and an active investor relations program. The Board reviews analysis of the shareholder register at each Board meeting which allows the Board to monitor the relevance of the Companyâ€™s mandate to shareholders and remain abreast of market sentiment.

Key Person Risk

The loss of the Portfolio Manager or other key individuals could lead to potential performance, operational or regulatory issues. There is a risk that the Manager has an inadequate succession plan for key individuals, particularly the Portfolio Manager with stock selection expertise in Japanese markets.

The Manager identifies key dependencies which are then addressed through succession plans. Fidelity has succession plans in place for portfolio managers. The Board meets regularly with the Portfolio Manager and key members of the investment team to gauge any dissatisfaction or potential flight risk. The investment team in Japan work closely in a collaborative manner and fully understand the investment approach of the Portfolio Manager.

Legislation, Taxation and Regulatory Risks

There is a risk that the changes in legislation, taxation, regulation or other external influence that require changes to the nature of the Companyâ€™s business.

A breach of Section 1158 of the Corporation Tax Act 2010 by the Company could lead to a loss of investment trust status, resulting in the Company being subject to tax on capital gains.

Regulatory changes for investment companies are monitored regularly by the Board and managed through active engagement with regulators and trade bodies by the Manager and also by the AIC.

Recently, there have been increased concerns around investment cost disclosures and its impact in the industry.

The Government and regulator have announced a temporary exemption for investment companies from the EU cost disclosure requirements.

Business Continuity Risk

There continues to be increased focus from financial services regulators around the world on the contingency plans of regulated financial firms. The top risks globally are cybersecurity, geopolitical events, outages, fire events and natural disasters. There are also ongoing risks from the war in Ukraine and conflict in the Middle East, specifically regarding cyberattacks and the potential loss of power and/or broadband services.

The Manager continues to take all necessary and reasonable steps to assure operational resilience and to meet its regulatory obligations, assess its ability to continue operating and the steps it needs to take to support its clients, including the Board, and has an appropriate control environment in place. The Manager has provided the Board with assurance that the Company has appropriate operational resilience and business continuity plans and the provision of services has continued to be supplied without interruption.

	Risks associated with these services are generally rated as low, but the financial consequences could be serious, including reputational damage to the Company. These are mitigated through operational resilience frameworks and subject to a risk-based programme of risk oversight and internal audits by the Manager. The Managerâ€™s internal controls reports are received by the Board on an annual basis and any concerns are investigated.
The Company relies on a number of third-party service providers, principally the Registrar, Custodian and Depositary. They are all subject to a risk-based programme of risk oversight and internal audits by the Manager and their own internal controls reports are received by the Board on an annual basis and any concerns are investigated.	The third-party service providers have also confirmed the implementation of appropriate measures to ensure no business disruption.
Cybercrime and Information Security Risks The operational risk and business impact from heightened external levels of cybercrime and the risk of data loss is significant. Cybercrime threats evolve rapidly. A cyberattack could result in the loss of confidential information or cause a significant disruption to the Companyâ€™s operations. Risks also remain due to military conflicts and geopolitical tensions, including the war in Ukraine and conflict in the Middle East and the trend to more working from home following the pandemic. These primarily relate to phishing, ransomware, remote access threats, extortion and denial-of-services attacks, threats from highly organised criminal networks and sophisticated ransomware operators.	The Managerâ€™s technology risk management teams have developed and implemented a number of initiatives and controls in order to provide enhanced mitigating protection to this ever-increasing threat, and also potentially addressing the risks of AI. The risks are continuously re-assessed by Fidelityâ€™s information security teams and risk frameworks are continuously enhanced with the implementation of additional tools and processes, including improvements to existing ones. Fidelity has dedicated cybersecurity and technology teams which provide continuous oversight, regular awareness updates and best practice guidance. The Board receives regular updates from the Manager in respect of the type and possible scale of cyberattacks. The Manager has dedicated detect and respond resources specifically to monitor the cyber threats associated within the workplace and there are a number of mitigating actions in place, including control strengthening, geo-blocking and phishing mitigants, combined with enhanced resilience and recovery options. The Companyâ€™s third-party service providers are also subject to oversight and provide assurances and have similar control measures in place to detect and respond to cyber threats and activity.
Environmental, Social and Governance (ESG) Risks There is a risk that the value of the assets of the Company are negatively impacted by ESG related risks, including climate change risk from extreme weather events. Japan has a material exposure to earthquakes. This may impact global supply chains for companies and customers. ESG risks also include investor expectations and how the Company is positioned from a marketing perspective.	Whilst Fidelity considers ESG factors in its investment decision-making process, the Company does not carry the label. ESG integration is carried out at the fundamental research analyst level within its investment teams, primarily through Fidelityâ€™s Proprietary Sustainability Rating which is designed to generate a forward-looking and holistic assessment of a companyâ€™s ESG risks and opportunities based on sector-specific key performance indicators. The Portfolio Manager may consider the effects of ESG when making investment decisions. ESG ratings of the companies within the Companyâ€™s portfolio compared to ESG ratings of the companies within the Companyâ€™s portfolio compared to the MSCI ratings are provided in the Annual Report.

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CONTINUATION VOTE

A continuation vote takes place every three years and the next continuation vote will take place at the AGM on 21 May 2025. There is a risk that shareholders do not vote in favour of continuation of the Company during periods when performance of the Companyâ€™s NAV and the share price is poor. This is addressed in further detail in the Going Concern Statement below.

EMERGING RISKS

The Audit Committee continues to identify any new emerging risks and take any action necessary to mitigate their potential impact. The risks identified are placed on the Companyâ€™s risk matrix and graded appropriately. This process, together with the policies and procedures for the mitigation of existing and emerging risks, is updated and reviewed regularly in the form of comprehensive reports by the Audit Committee. The Board determines the nature and extent of any risks it is willing to take in order to achieve the Companyâ€™s strategic objectives.

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

The Board, together with the Manager, is also monitoring the emerging risks posed by the rapid advancement of artificial intelligence (AI) and technology and how it may threaten the Companyâ€™s activities and its potential impact on the portfolio and investee companies. AI can provide asset managers powerful tools, such as enhancing data analysis risk management, trading strategies, operational efficiency and client servicing, all of which can lead to better investment outcomes and more efficient operations. However, with these advances in computing power that will impact society, there are risks from its increasing use and manipulation with the potential to harm, including a heightened threat to cybersecurity.

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

VIABILITY STATEMENT

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

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

Â·Â The ongoing relevance of the investment objective in prevailing market conditions;

Â·Â The Companyâ€™s level of gearing;

Â·Â The Companyâ€™s NAV and share price performance compared to its Reference Index;

Â·Â The principal and emerging risks and uncertainties facing the Company and their potential impact as set out above;

Â·Â The future demand for the Companyâ€™s shares;

Â·Â The Companyâ€™s share price discount to the NAV;

Â·Â The liquidity of the Companyâ€™s portfolio;

Â·Â The level of income generated by the Company;

Â·Â Future income and expenditure forecasts; and

Â·Â The Company will offer its shareholders a continuation vote at the AGM on 21 May 2025.

The Company underperformed the Reference Index over the five year reporting period to 31 December 2024, with a NAV total return of +5.9% and a share price total return of -1.4% compared to the Reference Index total return of +33.5%. The Board regularly reviews the investment policy and considers whether it remains appropriate and, as discussed in the Chairmanâ€™s Statement, the Board believes that the Fidelity team will recover this underperformance.

The Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years based on the following considerations:

Â·Â The Investment Managerâ€™s compliance with the Companyâ€™s investment objective and policy, its investment strategy and asset allocation;

Â·Â The portfolio mainly comprises readily realisable securities which can be sold to meet funding requirements if necessary; and

Â·Â The ongoing processes for monitoring operating costs and income which are considered to be reasonable in comparison to the Companyâ€™s total assets.

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

In addition, the Directorsâ€™ assessment of the Companyâ€™s ability to operate in the foreseeable future is included in the Going Concern Statement below, and includes detail of the material uncertainty on the outcome of the continuation vote at the AGM on 21 May 2025.

This statement has been prepared assuming the continuation votes in May 2025 and May 2025 AGMs will be passed and that the unconditional tender offer, post 31 December 2027, is not taken up by a majority of shareholders. Details of the unconditional tender offer are outlined in the Chairmanâ€™s Statement above.

GOING CONCERN STATEMENT
The Directors have considered the Companyâ€™s investment objective, risk management policies, liquidity risk, credit risk, capital management policies and procedures, the nature of its portfolio and its expenditure and cash flow projections. The Directors, having considered the liquidity of the Companyâ€™s portfolio of investments (being mainly securities which are readily realisable) and the projected income and expenditure, are satisfied that the Company is financially sound and has adequate resources to meet all of its liabilities and ongoing expenses and continue in operational existence for the foreseeable future. The Board has, therefore, concluded that the Company has adequate resources to continue to adopt the going concern basis for the period to 31 March 2026 which is at least twelve months from the date of approval of the Financial Statements. This conclusion also takes into account the Boardâ€™s assessment of the ongoing risks of earthquakes in Japan, the war in Ukraine, the Middle East conflict and significant market and geopolitical events and possible impact from regulatory change.

The Company, in accordance with the provisions of its Articles of Association, is subject to a continuation vote by shareholders at the Annual General Meeting on 21 May 2025. The Directors, having considered the performance of the Company over the last three years, the level of discount and the recently announced changes in portfolio management responsibilities, believe it is difficult to determine whether shareholders will vote in favour of continuation. There is therefore a material uncertainty over the outcome of the continuation vote. Despite this, the Directors believe that the preparation of the Financial Statements on a going concern basis remains appropriate.

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

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

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

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

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

The Board places great importance on communication with shareholders. The Annual General Meeting provides the key forum for the Board and the Portfolio Manager to present to the shareholders on the Companyâ€™s performance and future plans and the Board encourages all shareholders to attend in person or virtually and raise any questions or concerns. The Chairman and other Board members are available to meet shareholders as appropriate. Shareholders may also communicate with Board members at any time by writing to them at the Companyâ€™s registered office at FIL Investments International, Beech Gate, Millfield Lane, Tadworth, Surrey KT20 6RP or via the Company Secretary at the same address or by email at **investmenttrusts@fil.com**.

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

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

Whilst the Companyâ€™s direct operations are limited, the Board recognises the importance of considering the impact of the Companyâ€™s investment strategy on the wider community and environment. The Board believes that a proper consideration of ESG issues aligns with the Companyâ€™s objective to deliver long-term capital growth, and the Boardâ€™s review of the Manager includes an assessment of its ESG approach.

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

Â·Â Authorising the repurchase of 10,828,535 ordinary shares into Treasury when market conditions permitted in order to reduce discount volatility. Since the year ended 31 December 2024 and up to the latest practicable date of this report, a further 1,532,679 ordinary shares were repurchased into Treasury and for cancellation;

Â·Â Meeting with the Companyâ€™s key shareholders during the reporting year;

Â·Â The decision to hold a hybrid AGM in 2024 (and again this year) in order to make it more accessible to those shareholders who are unable to or prefer not to attend in person;

Â·Â Meeting with the Portfolio Manager and the investment team during the Boardâ€™s Due Diligence trip to Tokyo in June 2024; and

Â·Â The Board discussed the uncertainty in relation to the continuation vote and the proposal of a tender offer with Stifel Nicolaus Europe Limited, the Companyâ€™s Broker, and the Manager, including market precedents and approaches in relation to continuation votes.

STATEMENT OF DIRECTORSÂ€™ RESPONSIBILITIES

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

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

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

Â·Â Select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;

Â·Â Make judgements and accounting estimates that are reasonable and prudent;

Â·Â Present information, including accounting policies, in a fair and balanced manner that provides relevant, reliable, comparable and understandable information;

Â·Â State whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the Financial Statements; and

Â·Â Prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

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

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

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

The Directors confirm that to the best of their knowledge:

Â·Â The Financial Statements, prepared in accordance with UK Generally Accepted Practice, including FRS 102, give a true and fair view of the assets, liabilities, financial position and loss of the Company;

Â·Â The Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces; and

Â·Â The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Companyâ€™s performance, business model and strategy.

The Statement of Directorsâ€™ Responsibility was approved by the Board on 26 March 2025 and signed on its behalf by:

DAVID GRAHAM
Chairman

FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

Â	Â	Year ended 31 December 2024			Year ended 31 December 2023		
Â	NotesÂ	RevenueÂ Â£â€™000Â	CapitalÂ Â£â€™000Â	TotalÂ Â£â€™000Â	RevenueÂ Â£â€™000Â	CapitalÂ Â£â€™000Â	TotalÂ Â£â€™000Â
(Losses)/gains on investments	9Â	â€“Â	(11,906)	(11,906)	â€“Â	12,376Â	12,376Â
Gains on derivative instruments	10Â	â€“Â	3,028Â	3,028Â	â€“Â	14,299Â	14,299Â
Income	3Â	4,095Â	â€“Â	4,095Â	4,218Â	â€“Â	4,218Â
Investment management fees	4Â	(330)	(847)	(1,177)	(344)	(1,018)	(1,362)
Other expenses	5Â	(764)	(13)	(777)	(708)	(4)	(712)
Foreign exchange losses	Â	â€“Â	(233)	(233)	â€“Â	(642)	(642)
Â	Â	————Â	————Â	————Â	————Â	————Â	————Â
Net return/(loss) on ordinary activities before finance costs and taxation	Â	3,001Â	(9,971)	(6,970)	3,166Â	25,011Â	28,177Â
Finance costs	6Â	(39)	(158)	(197)	(27)	(106)	(133)
Â	Â	————Â	————Â	————Â	————Â	————Â	————Â
Net return/(loss) on ordinary activities before taxation	Â	2,962Â	(10,129)	(7,167)	3,139Â	24,905Â	28,044Â
Taxation on return on ordinary activities	7Â	(356)	â€“Â	(356)	(347)	â€“Â	(347)
Â	Â	————Â	————Â	————Â	————Â	————Â	————Â
Net return/(loss) on ordinary activities after taxation for the year	Â	2,606Â	(10,129)	(7,523)	2,792Â	24,905Â	27,697Â
Â	Â	=========Â	=========Â	=========Â	=========Â	=========Â	=========Â
Return/(loss) per ordinary share	8Â	2.17pÂ	(8.43p)	(6.26p)	2.17pÂ	19.33pÂ	21.50pÂ
Â	Â	=========Â	=========Â	=========Â	=========Â	=========Â	=========Â

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

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

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

The Notes below form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

Â	NoteÂ	ShareÂ capitaÂ Â£â€™000Â	ShareÂ premiumÂ accountÂ Â£â€™000Â	CapitalÂ redemptionÂ reserveÂ Â£â€™000Â	OtherÂ reserveÂ Â£â€™000Â	CapitalÂ reserveÂ Â£â€™000Â	RevenueÂ reserveÂ Â£â€™000Â	Total shareholdersâ€™Â fundsÂ Â£â€™000Â
Total shareholdersâ€™ funds at 31 December 2023	Â	34,041Â	20,722Â	2,767Â	40,382Â	165,416Â	(5,535)	257,793Â
Repurchase of ordinary shares	13Â	â€“Â	â€“Â	â€“Â	(18,857)	â€“Â	â€“Â	(18,857)
Net (loss)/return on ordinary activities after taxation for the year	Â	â€“Â	â€“Â	â€“Â	â€“Â	(10,129)	2,606Â	(7,523)
Â	Â	————Â	————Â	————Â	————Â	————Â	————Â	————Â
Total shareholdersâ€™ funds at 31 December 2024	Â	34,041Â	20,722Â	2,767Â	21,525Â	155,287Â	(2,929)	231,413Â
Â	Â	=========Â	=========Â	=========Â	=========Â	=========Â	=========Â	=========Â

Total shareholdersâ€™ funds at 31 December 2022	Â	34,041Â	20,722Â	2,767Â	46,658Â	140,511Â	(8,327)	236,372Â
Repurchase of ordinary shares	13Â	â€“Â	â€“Â	â€“Â	(6,276)	â€“Â	â€“Â	(6,276
Net return on ordinary activities after taxation for the year	Â	â€“Â	â€“Â	â€“Â	â€“Â	24,905Â	2,792Â	27,697Â
Â	Â	————Â	————Â	————Â	————Â	————Â	————Â	————Â
Total shareholdersâ€™ funds at 31 December 2023	Â	34,041Â	20,722Â	2,767Â	40,382Â	165,416Â	(5,535)	257,793Â
Â	Â	=========Â	=========Â	=========Â	=========Â	=========Â	=========Â	=========Â

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The Notes below form an integral part of these Financial Statements.

BALANCE SHEET AS AT 31 DECEMBER 2024
Company number 2885584

Â	NotesÂ	2024Â Â£â€™000Â	2023Â Â£â€™000Â
Fixed assets	Â	Â	Â
Investments	9Â	228,344Â	253,843Â
Current assets	Â	Â	Â
Derivative instruments	10Â	1,457Â	1,216Â
Debtors	11Â	669Â	708Â
Cash collateral held with brokers	16Â	223Â	â€“Â
Cash at bank	Â	1,897Â	3,073Â
Â	Â	————Â	————Â
Â	Â	4,246Â	4,997Â
Â	Â	=========Â	=========Â
Current liabilities	Â	Â	Â
Derivative instruments	10Â	(142)	(53)
Other creditors	12Â	(1,035)	(994)
Â	Â	————Â	————Â
Â	Â	(1,177)	(1,047)
Â	Â	————Â	————Â
Net current assets	Â	3,069Â	3,950Â
Â	Â	=========Â	=========Â
Net assets	Â	231,413Â	257,793Â
Â	Â	=========Â	=========Â
Capital and reserves	Â	Â	Â
Share capital	13Â	34,041Â	34,041Â
Share premium account	14Â	20,722Â	20,722Â
Capital redemption reserve	14Â	2,767Â	2,767Â
Other reserve	14Â	21,525Â	40,382Â
Capital reserve	14Â	155,287Â	165,416Â
Revenue reserve	14Â	(2,929)	(5,535)
Â	Â	————Â	————Â
Total shareholdersâ€™ funds	Â	231,413Â	257,793Â
Â	Â	=========Â	=========Â
Net asset value per ordinary share	15Â	200.78pÂ	204.46pÂ
Â	Â	=========Â	=========Â

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The Financial Statements above and below were approved by the Board of Directors on 26 March 2025 and were signed on its behalf by:

DAVID GRAHAM
Chairman

The Notes below form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

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

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

a) Basis of accounting

The Financial Statements have been prepared on a going concern basis and under the historical cost convention, except for the measurement at fair value of investments and derivative instruments.

The Directors have a reasonable expectation that the Company has adequate resources to continue its operations and meet its liabilities as they fall due up to 31 March 2026 which is at least twelve months from the date of approval of these Financial Statements. In making their assessment the Directors have reviewed income and expense projections, the liquidity of the investment portfolio of the Company and considered the Companyâ€™s ability to meet liabilities as they fall due.Â

In accordance with the provisions of the Companyâ€™s Articles of Association, the Company is subject to a continuation vote by shareholders at the AGM on 21 May 2025.

As at the date of this report, due to the performance of the Company over the last three years, the level of discount and the recently announced changes in portfolio management responsibilities, it is not possible to determine with certainty that shareholders will vote in favour of continuation of the Company. In this regard, there is a material uncertainty over the outcome of the continuation vote, and whilst this may cast doubt on the likelihood of the Company continuing as a going concern, the Directors believe that the preparation of the Financial Statements on a going concern basis remains appropriate.

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

The Companyâ€™s Going Concern Statement above takes account of all events and conditions up to 31 March 2026 which is at least twelve months from the date of approval of these Financial Statements.

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

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

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

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

(i)Â The selection of appropriate comparable companies. Comparable companies are chosen on the basis of their business characteristics and growth patterns;

(ii)Â The selection of a revenue metric (either historical or forecast);

(iii)Â The selection of an appropriate illiquidity discount factor to reflect the reduced liquidity of unlisted companies versus their listed peers;

(iv)Â The estimation of the likelihood of a future exit of the position through an initial public offering (IPO) or a company sale;

(v)Â The selection of an appropriate industry benchmark index to assist with the valuation; and

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

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

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

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

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

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

e) Income
Income from equity investments is accounted for on the date on which the right to receive the payment is established, normally the ex-dividend date. Overseas dividends are accounted for gross of any tax deducted at source. Amounts are credited to the revenue column of the Income Statement. Where

the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend foregone is recognised in the revenue column of the Income Statement. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital column of the Income Statement. Special dividends are treated as a revenue receipt or a capital receipt depending on the facts and circumstances of each particular case.

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

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

Â·Â The base investment management fee is allocated 20% to revenue and 80% to capital to reflect the Companyâ€™s focus on capital growth to generate returns;

Â·Â The variable investment management fee is charged/credited to capital, as it is based on the performance of the net asset value per share relative to the Reference Index; and

Â·Â All other expenses are allocated in full to revenue with the exception of those directly attributable to share issues or other capital events.

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

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

i) Taxation
The taxation charge represents the sum of current taxation and deferred taxation.

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

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

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

Â·Â Listed investments are valued at bid prices, or last market prices, depending on the convention of the exchange on which they are listed: and

Â·Â Investments which are not quoted, or are not frequently traded, are stated at the best estimate of fair value. The Managerâ€™s Fa Value Committee (FVC), which is independent of the Portfolio Managerâ€™s team, and with support from the external valuer and Fidelityâ€™s unlisted investments specialist, provides recommended fair values to the Directors. These are based on the principles outlined in Note 2 (b). The unlisted investments are valued at fair value following a detailed review and appropriate challenge by the Directors of the pricing methodology used by the FVC.

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

Â·Â Multiples;

Â·Â Industry Valuation Benchmarks; and

Â·Â Available Market Prices.

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

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

Â·Â At the year end and half year end of the Company; and

Â·Â Where there is an indication of a change in fair value (commonly referred to as â€˜triggerâ€™ events).

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

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

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

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

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

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

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

p) Capital reserve
The following are accounted for in the capital reserve:

Â·Â Gains and losses on the disposal of investments and derivative instruments;

Â·Â Changes in the fair value of investments and derivative instruments held at the year end;

Â·Â Foreign exchange gains and losses of a capital nature;

Â·Â Dividends receivable which are capital in nature;

Â·Â 80% of base investment management fees and finance costs;

Â·Â Variable investment management fees; and

Â·Â Other expenses which are capital in nature.

Technical guidance issued by the Institute of Chartered Accountants in England and Wales in TECH 02/17BL, guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006, states that changes in the fair value of investments which are readily convertible to cash, without accepting adverse terms at the Balance Sheet date, can be treated as realised. Capital reserves realised and unrealised are shown in aggregate as capital reserve in the Statement of Changes in Equity and the Balance Sheet. At the Balance Sheet date, the portfolio of the Company consisted of investments listed on a recognised stock exchange and derivative instruments contracted with counterparties having an adequate credit rating, and the portfolio was considered to be readily convertible to cash, with the exception of the level 3 investments which had unrealised investment holding losses of Â£6,715,000 (2023: losses of Â£5,630,000). See Note 16 below for further details on the level 3 investments.

3 INCOME

Â	Year endedÂ 31.12.24Â Â£â€™000Â	Year endedÂ 31.12.23Â Â£â€™000Â
Investment income	Â	Â
Overseas dividends	3,563Â	2,625Â
Derivative income	Â	Â
Dividends received on long CFDs	530Â	743Â
Other interest	Â	Â
Interest received on bank deposits	2Â	â€“Â
Â	————Â	————Â
Total income	4,095Â	4,218Â
Â	=========Â	=========Â

Â
No special dividends have been recognised in capital during the reporting year (2023: Â£nil).

4 INVESTMENT MANAGEMENT FEES

Â	Year ended 31 December 2024			Year ended 31 December 2023		
Â	RevenueÂ Â£â€™000Â	CapitalÂ Â£â€™000Â	TotalÂ Â£â€™000Â	RevenueÂ Â£â€™000Â	CapitalÂ Â£â€™000Â	TotalÂ Â£â€™000Â
Investment management fees â€“ base	330Â	1,318Â	1,648Â	344Â	1,377Â	1,721Â
Investment management fees â€“ variable[1]	â€“Â	(471)	(471)	â€“Â	(359)	(359)

Â	————Â	————Â	————Â	————Â	————Â	————Â
Â	330Â	847Â	1,177Â	344Â	1,018Â	1,362Â
Â	=========Â	=========Â	=========Â	=========Â	=========Â	=========Â

1ÂFor the calculation of the variable management fee element, the Companyâ€™s NAV return was compared to the Reference Index return on a daily basis. The period u to assess the performance is on a rolling three year basis.

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

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

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

Further details of the terms of the Management Agreement are given in the Directorsâ€™ Report in the Annual Report.

5 OTHER EXPENSES

Â	Year endedÂ 31.12.24Â Â£â€™000Â	Year endedÂ 31.12.23Â Â£â€™000Â
Allocated to revenue:	Â	Â
AIC fees	19Â	18Â
Secretarial and administration fees payable to the Investment Manager	50Â	50Â
Custody fees	13Â	13Â
Depositary fees	22Â	24Â
Directorsâ€™ expenses	75Â	43Â
Directorsâ€™ fees[1]	177Â	160Â
Legal and professional fees	67Â	70Â
Marketing expenses	175Â	166Â
Printing and publication expenses	67Â	61Â
Registrarsâ€™ fees	35Â	33Â
Other expenses	13Â	17Â
Fees payable to the Companyâ€™s Independent Auditor for the audit of the Financial Statements	55Â	53Â
Â	————Â	————Â
Â	764Â	708Â
Â	————Â	————Â
Allocated to capital:	Â	Â
Legal and professional fees â€“ unlisted investments	13Â	4Â
Â	————Â	————Â
Other expenses	777Â	712Â
Â	=========Â	=========Â

1ÂDetails of the breakdown of Directorsâ€™ fees are provided in the Directorsâ€™ Remuneration Report in the Annual Report.

6 FINANCE COSTS

Â	Year ended 31 December 2024			Year ended 31 December 2023		
Â	RevenueÂ Â£â€™000Â	CapitalÂ Â£â€™000Â	TotalÂ Â£â€™000Â	RevenueÂ Â£â€™000Â	CapitalÂ Â£â€™000Â	TotalÂ Â£â€™000Â
Interest paid on long CFDs	37Â	150Â	187Â	24Â	94Â	118Â
Interest paid on collateral and deposits[1]	2Â	8Â	10Â	3Â	12Â	15Â
Â	————Â	————Â	————Â	————Â	————Â	————Â
Â	39Â	158Â	197Â	27Â	106Â	133Â
Â	=========Â	=========Â	=========Â	=========Â	=========Â	=========Â

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

Finance costs have been allocated 80% to capital reserve in accordance with the Companyâ€™s accounting policies.

7 TAXATION ON RETURN/(LOSS) ON ORDINARY ACTIVITIES

Â	Year endedÂ 31.12.24Â Â£â€™000Â	Year endedÂ 31.12.23Â Â£â€™000Â
a) Analysis of the taxation charge for the year	Â	Â
Overseas taxation	356Â	347Â
Â	————Â	————Â
Taxation charge for the year (see Note 7b)	356Â	347Â
Â	=========Â	=========Â

Â

b) Factors affecting the taxation charge for the year

The taxation charge for the year is lower than the standard rate of UK corporation tax for an investment trust company of 25% (202 25%). A reconciliation of the standard rate of UK corporation tax to the taxation charge for the year is shown below:

Â	Year endedÂ 31.12.24Â Â£â€™000Â	Year endedÂ 31.12.23Â Â£â€™000Â
Net (loss)/return on ordinary activities before taxation	(7,167)	28,044Â
Â	————Â	————Â
Net (loss)/return on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 25% (2023: blended rate of 23.52%)	(1,762)	6,596Â
Effects of:	Â	Â

Capital losses/(gains) not taxable[1]	2,278	(6,123)
Income not taxable	(891)	(817)
Expenses not deductible	38Â	23Â
Excess management expenses not utilised	367Â	321Â
Overseas taxation	356Â	347Â
Â	————Â	————Â
Taxation charge for the year (see Note 7a)	356Â	347Â
Â	=========Â	=========Â

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

c) Deferred taxation
A deferred taxation asset of Â£9,253,000 (2023: Â£8,886,000), in respect of excess expenses of Â£37,011,000 (2023: Â£35,543,000) has n been recognised as it is unlikely that there will be sufficient future profits to utilise these expenses.

The UK corporation tax rate increased from 19% to 25% from 1 April 2023. The rate of 25% has been applied to calculate the unrecognised deferred tax asset for the current year (2023: 25%).

8 RETURN/(LOSS) PER ORDINARY SHARE

Â	Year endedÂ 31.12.24Â	Year endedÂ 31.12.23Â
Revenue return per ordinary share	2.17pÂ	2.17pÂ
Capital (loss)/return per ordinary share	(8.43p)Â	19.33pÂ
Â	————Â	————Â
Total (loss)/return per ordinary share	(6.26p)Â	21.50pÂ
Â	=========Â	=========Â

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

Â	Â£â€™000Â	Â£â€™000Â
Net revenue return on ordinary activities after taxation	2,606Â	2,792Â
Net capital (loss)/return on ordinary activities after taxation	(10,129)	24,905Â
Â	————Â	————Â
Net total (loss)/return on ordinary activities after taxation	(7,523)	27,697Â
Â	=========Â	=========Â

Â

Â	NumberÂ	NumberÂ
Weighted average number of ordinary shares held outside of Treasury	120,169,404Â	128,843,583Â
Â	==========Â	==========Â

Â
9 INVESTMENTS

Â	2024Â Â£â€™000Â	2023Â Â£â€™000Â
Listed investments	213,026Â	237,440Â
Unlisted investments	15,318Â	16,403Â
Â	————Â	————Â
Investments at fair value	228,344Â	253,843Â
Â	=========Â	=========Â
Opening book cost	244,383Â	242,067Â
Opening investment holding gains/(losses)	9,460	(11,387)
Â	————Â	————Â
Opening fair value	253,843Â	230,680Â
Â	=========Â	=========Â
Movements in the year	Â	Â
Purchases at cost	186,791Â	158,947Â
Sales â€“ proceeds	(200,384)	(148,160)
(Losses)/gains on investments	(11,906)	12,376Â
Â	————Â	————Â
Closing fair value	228,344Â	253,843Â
Â	=========Â	=========Â
Closing book cost	222,161Â	244,383Â
Closing investment holding gains	6,183Â	9,460Â
Â	————Â	————Â
Closing fair value	228,344Â	253,843Â
Â	=========Â	=========Â

Â
The Company received Â£200,384,000 (2023: Â£148,160,000) from investments sold in the year. The book cost of these investments when they were purchased was Â£209,013,000 (2023: Â£156,631,000). These investments have been revalued over time and until they were sold any unrealised gain/(losses) were included in the fair value of the investments.

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

Â	Year endedÂ 31.12.24Â Â£â€™000Â	Year endedÂ 31.12.23Â Â£â€™000Â
Purchases transaction costs	69Â	57Â
Sales transaction costs	94Â	63Â
Â	————Â	————Â
Â	163Â	120Â

Â	=========Â	=========Â

Â

10 DERIVATIVE INSTRUMENTS

Â	Year endedÂ 31.12.24Â Â£â€™000Â	Year endedÂ 31.12.23Â Â£â€™000Â
Gains on derivative instruments	Â	Â
Gains on long CFD positions closed	2,876Â	12,874Â
Movement in investment holding gains on long CFDs	152Â	1,425Â
Â	————Â	————Â
Â	3,028Â	14,299Â
Â	=========Â	=========Â

Â

Derivative instruments recognised on the Balance Sheet

Â	2024		2023	
Â	Â Fair valueÂ Â£â€™000Â	PortfolioÂ exposureÂ Â£â€™000Â	Â Fair valueÂ Â£â€™000Â	PortfolioÂ exposureÂ Â£â€™000Â
Derivative instrument assets â€“ long CFDs	1,457Â	50,375Â	1,216Â	41,568Â
Derivative instrument liabilities â€“ long CFDs	(142)	8,254Â	(53)	21,953Â
Â	————Â	————Â	————Â	————Â
Â	1,315Â	58,629Â	1,163Â	63,521Â
Â	=========Â	=========Â	=========Â	=========Â

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11 DEBTORS

Â	2024Â Â£â€™000Â	2023Â Â£â€™000Â
Securities sold for future settlement	372Â	361Â
Accrued income	199Â	249Â
Other debtors and prepayments	98Â	98Â
Â	————Â	————Â
Â	669Â	708Â
Â	=========Â	=========Â

Â

12 OTHER CREDITORS

Â	2024Â Â£â€™000Â	2023Â Â£â€™000Â
Securities purchased for future settlement	383Â	438Â
Creditors and accruals	329Â	285Â
Amounts payable for repurchase of shares	323Â	271Â
Â	————Â	————Â
Â	1,035Â	994Â
Â	=========Â	=========Â

Â

13 SHARE CAPITAL

Â	2024		2023	
Â	Â Number ofÂ sharesÂ	NominalÂ valueÂ Â£â€™000Â	Â Number ofÂ sharesÂ	NominalÂ valueÂ Â£â€™000Â
Issued, allotted and fully paid	Â	Â	Â	Â
Ordinary shares of 25 pence each held outside of Treasury	Â	Â	Â	Â
Beginning of the year	126,086,249Â	31,521Â	129,701,893Â	32,425Â
Ordinary shares repurchased into Treasury	(10,828,535)	(2,707)	(3,615,644)	(904)
Â	————Â	————Â	————Â	————Â
End of the year	115,257,714Â	28,814Â	126,086,249Â	31,521Â
Â	==========Â	==========Â	==========Â	==========Â
Issued, allotted and fully paid	Â	Â	Â	Â
Ordinary shares of 25 pence each held in Treasury[1]	Â	Â	Â	Â
Beginning of the year	10,075,446Â	2,520Â	6,459,802Â	1,616Â
Ordinary shares repurchased into Treasury	10,828,535Â	2,707Â	3,615,644Â	904Â
Â	————Â	————Â	————Â	————Â
End of the year	20,903,981Â	5,227Â	10,075,446Â	2,520Â
Â	==========Â	==========Â	==========Â	==========Â
Total share capital	Â	34,041Â	Â	34,041Â
Â	Â	==========Â	Â	==========Â

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

The Company repurchased 10,828,535 ordinary shares (2023: 3,615,644 shares) and held them in Treasury. The Â£18,857,000 (2023: Â£6,276,000) cost of repurchase was charged to the Other reserve.

14 CAPITAL AND RESERVES

Â	Â ShareÂ capitalÂ Â£â€™000Â	ShareÂ premiumÂ accountÂ Â£â€™000Â	CapitalÂ redemptionÂ reserveÂ Â£â€™000Â	Â OtherÂ reserveÂ Â£â€™000Â	Â CapitalÂ reserveÂ Â£â€™000Â	Â RevenueÂ reserveÂ Â£â€™000Â	TotalÂ shareholdersâ€™Â fundsÂ Â£â€™000Â
At 1 January 2024	34,041Â	20,722Â	2,767Â	40,382Â	165,416Â	(5,535)	257,793Â
Losses on investments (see Note 9)	â€“Â	â€“Â	â€“Â	â€“Â	(11,906)	â€“Â	(11,906)
Gains on derivative	â€“Â	â€“Â	â€“Â	â€“Â	3,028Â	â€“Â	3,028Â

instruments (see Note 10)							
Foreign exchange losses	â€“Â	â€“Â	â€“Â	â€“Â	(233)	â€“Â	(233)
Investment management fees (see Note 4)	â€“Â	â€“Â	â€“Â	â€“Â	(847)	â€“Â	(847)
Other expenses (see Note 5)	â€“Â	â€“Â	â€“Â	â€“Â	(13)	â€“Â	(13)
Finance costs (see Note 6)	â€“Â	â€“Â	â€“Â	â€“Â	(158)	â€“Â	(158)
Revenue return on ordinary activities after taxation for the year	â€“Â	â€“Â	â€“Â	â€“Â	â€“Â	2,606Â	2,606Â
Repurchase of ordinary shares (see Note 13)	â€“Â	â€“Â	â€“Â	(18,857)	â€“Â	â€“Â	(18,857)
Â	————Â	————Â	————Â	————Â	————Â	————Â	————Â
At 31 December 2024	34,041Â	20,722Â	2,767Â	21,525Â	155,287Â	(2,929)	231,413Â
Â	=========Â	=========Â	=========Â	=========Â	=========Â	=========Â	=========Â

Â

Â	Â ShareÂ capitalÂ Â£â€™000Â	ShareÂ premiumÂ accountÂ Â£â€™000Â	CapitalÂ redemptionÂ reserveÂ Â£â€™000Â	Â OtherÂ reserveÂ Â£â€™000Â	Â CapitalÂ reserveÂ Â£â€™000Â	Â RevenueÂ reserveÂ Â£â€™000Â	TotalÂ shareholdersâ€™Â fundsÂ Â£â€™000Â
At 1 January 2023	34,041Â	20,722Â	2,767Â	46,658Â	140,511Â	(8,327)	236,372Â
Gains on investments (see Note 9)	â€“Â	â€“Â	â€“Â	â€“Â	12,376Â	â€“Â	12,376Â
Gains on derivative instruments (see Note 10)	â€“Â	â€“Â	â€“Â	â€“Â	14,299Â	â€“Â	14,299Â
Foreign exchange losses	â€“Â	â€“Â	â€“Â	â€“Â	(642)	â€“Â	(642)
Investment management fees (see Note 4)	â€“Â	â€“Â	â€“Â	â€“Â	(1,018)	â€“Â	(1,018)
Other expenses (see Note 5)	â€“Â	â€“Â	â€“Â	â€“Â	(4)	â€“Â	(4)
Finance costs (see Note 6)	â€“Â	â€“Â	â€“Â	â€“Â	(106)	â€“Â	(106)
Revenue return on ordinary activities after taxation for the year	â€“Â	â€“Â	â€“Â	â€“Â	â€“Â	2,792Â	2,792Â
Repurchase of ordinary shares (see Note 13)	â€“Â	â€“Â	â€“Â	(6,276)	â€“Â	â€“Â	(6,276)
Â	————Â	————Â	————Â	————Â	————Â	————Â	————Â
At 31 December 2023	34,041Â	20,722Â	2,767Â	40,382Â	165,416Â	(5,535)	257,793Â
Â	=========Â	=========Â	=========Â	=========Â	=========Â	=========Â	=========Â

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The capital reserve balance at 31 December 2024 includes investment holding gains of Â£6,183,000 (2023: gains of Â£9,460,000) as detailed in Note 9. See Note 2 (p) above for further details. The capital reserve is distributable by way of dividend. The revenue reserve could be distributed by way of dividend if it were not in deficit.

15 NET ASSET VALUE PER ORDINARY SHARE

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

Â	2024Â	2023Â
Total shareholdersâ€™ funds	Â£231,413,000Â	Â£257,793,000Â
Ordinary shares held outside of Treasury at year end	115,257,714Â	126,086,249Â
Net asset value per ordinary share	200.78pÂ	204.46pÂ
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It is the Companyâ€™s policy that shares held in Treasury will only be reissued at net asset value per ordinary share or at a premium to net asset value per ordinary share and, therefore, shares held in Treasury have no dilutive effect.

16 FINANCIAL INSTRUMENTS

Management of Risk

The Companyâ€™s investment activities in pursuit of its objective involve certain inherent risks. The Board confirms that there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Board, with the assistance of the Manager, has developed a risk matrix which, as part of the internal control process, identifies the risks that the Company faces. Principal risks identified are: geopolitical; investment performance and gearing; natural disaster; market, economic and currency; competition and marketplace threats; discount control and demand; key person; legislation, taxation and regulatory; business continuity; cybercrime and information security; environmental, social and governance (ESG); and continuation vote. Risks are identified and graded in this process, together with steps taken in mitigation, and are updated and reviewed on an ongoing basis. These risks and how they are identified, evaluated and managed are shown in the Strategic Report above.

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

Â·Â Equity shares held in accordance with the Companyâ€™s investment objective and policies;

Â·Â Derivative instruments which comprise CFDs; and

Â·Â Cash, liquid resources and short-term debtors and creditors that arise from its operations.

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

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

Interest rate risk exposure
The values of the Companyâ€™s financial instruments that are exposed to movements in interest rates are shown below:

	2024Â Â£â€™000Â	2023Â Â£â€™000Â
Â		
Exposure to financial instruments that bear interest	Â	Â
Long CFDs â€“ Portfolio exposure less fair value	57,314Â	62,358Â
Â	————Â	————Â
Â	57,314Â	62,358Â
Â	=========Â	=========Â
Exposure to financial instruments that earn interest	Â	Â
Cash collateral held with brokers	223Â	â€“Â
Cash at bank	1,897Â	3,073Â
Â	————Â	————Â
Â	2,120Â	3,073Â
Â	=========Â	=========Â
Net exposure to financial instruments that bear interest	55,194Â	59,285Â
Â	=========Â	=========Â

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

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

Â·Â Movements in currency exchange rates affecting the value of investments and long CFDs;

Â·Â Movements in currency exchange rates affecting short-term timing differences; and

Â·Â Movements in currency exchange rates affecting income received.

Currency exposure of financial assets
The currency exposure profile of the Companyâ€™s financial assets is shown below:

Â	2024				
	Â InvestmentsÂ held atÂ fair valueÂ Â£â€™000Â	LongÂ exposure toÂ derivativeÂ instrumentsÂ Â£â€™000Â	Â Â Â Debtors1Â Â£â€™000Â	Â Â Cash atÂ bankÂ Â£â€™000Â	Â Â Â TotalÂ Â£â€™000Â
Currency					
Japanese yen	228,344Â	58,629Â	794Â	1,897Â	289,664Â
UK sterling	â€“Â	â€“Â	98Â	â€“Â	98Â
Â	————Â	————Â	————Â	————Â	————Â
Â	228,344Â	58,629Â	892Â	1,897Â	289,762Â
Â	=========Â	=========Â	=========Â	=========Â	=========Â

1ÂDebtors include cash collateral held with brokers.

Â	2023				
	Â InvestmentsÂ held atÂ fair valueÂ Â£â€™000Â	LongÂ exposure toÂ derivativeÂ instrumentsÂ Â£â€™000Â	Â Â DebtorÂ Â£â€™000Â	Cash atÂ bankÂ Â£â€™000Â	TotalÂ Â£â€™000Â
Currency					
Japanese yen	253,843Â	63,521Â	610Â	2,950Â	320,924Â
UK sterling	â€“Â	â€“Â	98Â	123Â	221Â
Â	————Â	————Â	————Â	————Â	————Â
Â	253,843Â	63,521Â	708Â	3,073Â	321,145Â
Â	=========Â	=========Â	=========Â	=========Â	=========Â

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Currency exposure of financial liabilities
The currency profile of the Companyâ€™s financial liabilities is shown below:

	2024Â OtherÂ creditorsÂ Â£â€™000Â	2023Â OtherÂ creditorsÂ Â£â€™000Â
Currency		
Japanese yen	383Â	439Â
UK sterling	652Â	555Â
Â	————Â	————Â

Â	1,035Â	994Â
Â	=========Â	=========Â

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

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

Liquidity risk exposure
At 31 December 2024, the undiscounted gross cash outflows of the financial liabilities were all repayable within one year and consisted of derivative instrument liabilities of Â£142,000 (2023: Â£53,000) and other creditors of Â£1,035,000 (2023: Â£994,000).

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

Cash collateral
For derivative transactions, collateral is used to reduce the risk of both parties to the contract. Collateral is managed on a daily basis for all relevant transactions. At 31 December 2024, Â£1,487,000 (2023: Â£1,775,000) was held by the brokers in cash denominated in Japanese yen in a segregated collateral account on behalf of the Company, to reduce the credit risk exposure of the Companyâ€™s net unrealised profits on derivative positions. This collateral comprised: J.P. Morgan Securities plc Â£nil (2023: Â£574,0000) and UBS AG Â£1,487,000 (2023: Â£1,201,000). At 31 December 2024, Â£223,000 (2023: Â£nil) shown as cash collateral held with brokers on the Balance Sheet, was held by the Company in a segregated collateral account to reduce the credit risk exposure of the Companyâ€™s net unrealised losses on derivative positions. This collateral comprised of: J.P. Morgan Securities plc Â£223,000 (2023: Â£nil) in cash denominated in Japanese yen.

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

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

RISK SENSITIVITY ANALYSIS
Interest rate risk sensitivity analysis
Based on the financial instruments held and interest rates at 31 December 2024, an increase of 0.25% in interest rates throughout the year, with all other variables held constant, would have increased the Companyâ€™s net loss on ordinary activities after taxation for the year and decreased the Companyâ€™s net assets by Â£138,000 (2023: decreased the net return and decreased the net assets by Â£148,000). A decrease of 0.25% in interest rates throughout the year would have had an equal but opposite effect.

Foreign currency risk sensitivity analysis
Based on the financial instruments held and currency exchange rates at 31 December 2024, a 10% strengthening of the sterling exchange rate against the yen, with all other variables held constant, would have increased the Companyâ€™s net loss on ordinary activities after taxation for the year and decreased the Companyâ€™s net assets by Â£26,298,000 (2023: decreased the net return and decreased the net assets by Â£29,134,000). A 10% weakening of the sterling exchange rate against the yen would have decreased the Companyâ€™s net loss on ordinary activities after taxation for the year and increased the Companyâ€™s net assets by Â£32,142,000 (2023: increased the net return and increased the net assets by Â£35,609,000).

Other price risk â€“ exposure to investments sensitivity analysis
Based on the listed investments held and share prices at 31 December 2024, an increase of 10% in share prices, with all other variables held constant, would have decreased the Companyâ€™s net loss on ordinary activities after taxation for the year and increased the Companyâ€™s net assets by Â£21,303,000 (2023: increased the net return and increased the net assets by Â£23,744,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Based on the unlisted investments held and share prices at 31 December 2024, an increase of 10% in share prices, with all other variables held constant, would have decreased the Companyâ€™s net loss on ordinary activities after taxation for the year and increased the Companyâ€™s net assets by Â£1,532,000 (2023: increased the net return and increased the net assets by Â£1,640,000). A decrease of 10% in share prices would have had an equal and opposite effect.

Other price risk â€“ net exposure to derivative instruments sensitivity analysis
Based on the long CFDs held and share prices at 31 December 2024, an increase of 10% in the share prices underlying the long CFDs, with all other variables held constant, would have decreased the Companyâ€™s net loss on ordinary activities after taxation for the year and increased the Companyâ€™s net assets by Â£5,863,000 (2023: increased the net return and increased the net assets by Â£6,352,000). A decrease of 10% in share prices would have had an equal and opposite effect.

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

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

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

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

Â	2024			
	Level 1Â	Level 2Â	Level 3Â	TotalÂ
Financial assets at fair value through profit or loss	Â£â€™000Â	Â£â€™000Â	Â£â€™000Â	Â£â€™000Â
Investments	213,026Â	â€“Â	15,318Â	228,344Â
Derivative instrument assets	â€“Â	1,457Â	â€“Â	1,457Â
Â	————Â	————Â	————Â	————Â
Â	213,026Â	1,457Â	15,318Â	229,801Â
Â	=========Â	=========Â	=========Â	=========Â
Financial liabilities at fair value through profit or loss	Â	Â	Â	Â
Derivative instrument liabilities	â€“Â	(142)	â€“Â	(142)
Â	=========Â	=========Â	=========Â	=========Â

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Â	2023			
	Level 1Â	Level 2Â	Level 3Â	TotalÂ
Financial assets at fair value through profit or loss	Â£â€™000Â	Â£â€™000Â	Â£â€™000Â	Â£â€™000Â
Investments	237,440Â	â€“Â	16,403Â	253,843
Derivative instrument assets	â€“Â	1,216Â	â€“Â	1,216Â
Â	————Â	————Â	————Â	————Â
Â	237,440Â	1,216Â	16,403Â	255,059Â
Â	=========Â	=========Â	=========Â	=========Â
Financial liabilities at fair value through profit or loss	Â	Â	Â	Â
Derivative instrument liabilities	â€“Â	(53)	â€“Â	(53)
Â	=========Â	=========Â	=========Â	=========Â

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

		Â	2024Â	2022Â
		Book costÂ	Level 3Â	Level 3Â
Name	Business	Â£â€™000Â	Â£â€™000Â	Â£â€™000Â
Asoview	Online booking website for leisure facilities	6,602Â	6,114Â	5,740Â
GO Inc	Japanâ€™s largest ride-hailing company	2,378Â	2,905Â	2,487Â
Studyplus	Online educational company	2,257Â	1,960Â	2,110Â
iYell	Mortgage Fintech company	2,641Â	1,652Â	2,189Â
Moneytree	Developer of personal asset management applications	3,016Â	1,042Â	1,832Â
Spiber	Bio-tech company	2,512Â	1,014Â	1,011Â
Yoriso	Online funeral planning platform	2,627Â	631Â	1,034Â
Â	Â	————Â	————Â	————Â
End of the year	Â	22,033Â	15,318Â	16,403Â
Â	Â	=========Â	=========Â	=========Â

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The valuation of all the unlisted investments at 31 December 2024 is based on the analysis of the companyâ€™s financial reports, the macro-environment and benchmarking the position to a range of comparable market data. For more details on the technique applied to the value of unlisted investments, see Note 2 (j) in the Accounting Policies section.

	Year endedÂ	Year endedÂ
	31.12.24Â	31.12.23Â
	Level 3Â	Level 3Â
Movements in level 3 financial instruments during the year:	Â£â€™000Â	Â£â€™000Â
Beginning of the year	16,403Â	18,933Â
Purchases at cost	â€“Â	2,378Â
Sales proceeds â€“ Innophys	â€“Â	(274)
Sales loss â€“ Innophys	â€“Â	(639)
Movement in investment holding losses (including foreign exchange movement)	(1,085)	(3,995)
Â	————Â	————Â
End of the year	15,318Â	16,403Â
Â	=========Â	=========Â

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17 CAPITAL RESOURCES AND GEARING
The Company does not have any externally imposed capital requirements. The financial resources of the Company comprise its share capital and reserves, as disclosed in the Balance Sheet above, and its gearing which is achieved through the use of long CFDs Financial resources are managed in

accordance with the Companyâ€™s investment policy and in pursuit of its objective, both of which are detailed in the Strategic Report in the Annual Report. The principal risks and their management are disclosed in the Strategic Report and in Note 16 above.

18 TRANSACTIONS WITH THE MANAGER AND RELATED PARTIES
FIL Investment Services (UK) Limited is the Companyâ€™s Alternative Investment Fund Manager and has delegated portfolio management and the role of company secretary to FIL Investments International, the Investment Manager. Both companies are Fidelity group companies.

Details of the current fee arrangements are given in the Directorsâ€™ Report in the Annual Report and in Note 4 above. During the year, fees for portfolio management services of Â£1,177,000 (2023: Â£1,362,000) and secretarial and administration fees of Â£50,000 (2023: Â£50,000) were payable to FII. At the Balance Sheet date, net fees for portfolio management services of Â£97,000 (2023: Â£106,000) and secretarial and administration fees of Â£13,000 (2023: Â£13,000) were accrued and included in other creditors. FII also provides the Company with marketing services. The total amount payable for these services during the year was Â£175,000 (2023: Â£166,000). At the Balance Sheet date, marketing services of Â£87,000 (2023: Â£18,000) were accrued and included in other creditors.

Disclosures of the Directorsâ€™ interests in the ordinary shares of the Company and Directorsâ€™ fees and taxable expenses relating to reasonable travel expenses paid to the Directors are given in the Directorsâ€™ Remuneration Report in the Annual Report. In addition to the fees and taxable expenses disclosed in the Directorsâ€™ Remuneration Report, Â£13,000 (2023: Â£14,000) of Employersâ€™ National Insurance Contributions was also paid by the Company. As at 31 December 2024, Directorsâ€™ fees of Â£18,000 (2023: Â£18,000) were accrued and payable.

ALTERNATIVE PERFORMANCE MEASURES

The Company uses the following as Alternative Performance Measures which are all defined in the Glossary of Terms in the Annual Report.

DISCOUNT/PREMIUM
The discount/premium is the difference between the net asset value (â€œNAVâ€) per ordinary share of the Company and the ordinary share price and is expressed as a percentage of the NAV per ordinary share. Details of the Companyâ€™s discount are on the Financial Highlights in the Annual Report.

GEARING
See the Fair Value and Portfolio Exposure of Investments table on in the Annual Report for details of the Companyâ€™s gearing.

NET ASSET VALUE (NAV) PER ORDINARY SHARE
See the Balance Sheet and Note 15 above for further details.

ONGOING CHARGES RATIO
The ongoing charges ratio is considered has been calculated in accordance with guidance issued by the AIC as the total of management fees and other expenses expressed as a percentage of the average net assets throughout the year.

Â	2024Â	2023Â
Investment management fees (Â£â€™000)	1,648Â	1,721Â
Other expenses (Â£â€™000)	777Â	712Â
Â	————Â	————Â
Ongoing charges (Â£â€™000)	2,425Â	2,433Â
Variable management fee (Â£â€™000)	(471)	(359)
Average net assets (Â£â€™000)	235,249Â	245,972Â
Ongoing charges ratio	1.03%Â	0.99%Â
Ongoing charges ratio including variable management fee	0.83%Â	0.84%Â
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REVENUE, CAPITAL AND TOTAL RETURN PER ORDINARY SHARE
See the Income Statement and Note 8 above for further details.

TOTAL RETURN PERFORMANCE
The tables below provide information relating to the NAV per ordinary share and the ordinary share price of the Company, the imp of the dividend reinvestments and the total returns for the years ended 31 December 2024 and 31 December 2023.

2024	Net assetÂ value perÂ ordinaryÂ shareÂ	Â OrdinaryÂ shareÂ priceÂ
31 December 2023	204.46pÂ	185.00pÂ
31 December 2024	200.78pÂ	174.50pÂ
Â	————Â	————Â
Total return for the year	-1.8%Â	-5.7%Â
Â	=========Â	=========Â

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2023	Net assetÂ value perÂ ordinaryÂ shareÂ	Â OrdinaryÂ shareÂ priceÂ
31 December 2022	182.24pÂ	164.75pÂ
31 December 2023	204.46pÂ	185.00pÂ
Â	————Â	————Â
Total return for the year	+12.2%Â	+12.3%Â
Â	=========Â	=========Â

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The Annual Financial Report Announcement is not the Company's statutory accounts. The above results for the year ended 31 December 2024 are an abridged version of the Company's full Annual Report and Financial Statements, which have been approved and audited with an unqualified report. The 2023 and 2024 statutory accounts received unqualified reports from the Company's Auditor and did not include any reference to matters to which the Auditor drew attention by way of emphasis without qualifying the reports and did not contain a statement under s.498 of the Companies Act 2006. The financial information for 2023 is derived from the statutory accounts for 2023 which have been delivered to the Registrar of Companies. The 2023 Financial Statements will be filed with the Registrar of Companies in due course.

A copy of the Annual Report will shortly be submitted to the National Storage Mechanism and will be available for inspection at: www.morningstar.co.uk/uk/NSM

The Annual Report will be posted to shareholders later this month and additional copies will be available from the registered office of the Company and on the Company's website: www.fidelity.co.uk/japan where up to date information on the Company, including daily NAV and share prices, factsheets and other information can also be found.

Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

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