Fidelity® Japan Fund

Key Takeaways

- For the fiscal year ending October 31, 2023, the fund's Retail Class shares gained 10.04%, trailing the 17.58% advance of the benchmark, the Tokyo Stock Price Index (TOPIX).
- Japan joined with most other global stock markets in rallying this period, aided by a combination of solid corporate profits, the Bank of Japan's continued accommodative monetary policy and excitement about generative artificial intelligence.
- China's December 2022 decision to abandon its "zero-COVID" policy and aim for normalization of the economy also helped the Japanese stock market, as investors anticipated a rebound in tourism and commerce with Japan's economically powerful neighbor.
- Easing inflationary pressure in the U.S. and Europe, along with the perception that the U.S. Federal Reserve and several other key central banks were near the end of their aggressive rate-hike campaigns, also fueled the rally in stocks this period.
- According to Portfolio Manager Kirk Neureiter, value stocks outperformed growth in Japan's equity market, which weighed on the fund's performance versus the benchmark the past 12 months.
- Looking at sectors, security selection in industrials detracted most on a relative basis, with picks in consumer discretionary and information technology also hurting.
- Conversely, stock picking in materials and positioning in energy bolstered the fund's relative performance during the period.
- As of October 31, although Kirk acknowledges the potential for short-term risk from slowing global economic growth, especially in the U.S., he sees long-term opportunity in the relatively attractive valuations of many stocks of high-quality Japanese companies.

MARKET RECAP

International (non-U.S.) equities gained 12.27% for the 12 months ending October 31, 2023, according to the MSCI ACWI (All Country World Index) ex USA Index, as global economic expansion and a slowing in the pace of inflation in some markets provided a favorable backdrop for risk assets. After returning -15.86% in 2022, the index's upturn has been largely driven by a narrow set of companies in the information technology and communication services sectors, in part due to excitement for generative artificial intelligence applications. The index gained 14.07% year to date through July, including strong gains in June (+4.50%) and July (+4.07%). The rally for international equities sputtered for the next three months (-11.33%) amid a stalling pattern in disinflationary trends, heightened global recession and geopolitical risks, soaring yields on longer-term U.S. government bonds and particularly weak economic conditions in the eurozone and China. The three-month decline left non-U.S. stocks up 1.15% year to date through October. Currency fluctuation also helped bolster non-U.S. equity performance overall. For the full 12 months, nearly all regions advanced, with Europe ex U.K. (+18%) and Japan (+17%) leading, whereas Canada (-0.38%) lagged by the widest margin. Each of the 11 sectors advanced, with information technology (+21%) and consumer discretionary (+19%) leading the way. Conversely, four defensive-oriented sectors lagged: real estate (+4%), health care (+6%), consumer staples (+7%) and utilities (+8%).

Fidelity INVESTMENTS

Kirk Neureiter
Portfolio Manager

Fund Facts

Trading Symbol:	FJPNX
Start Date:	September 15, 1992
Size (in millions):	$632.42

Investment Approach

- Fidelity® Japan Fund is a concentrated Japanese equity strategy that seeks long-term growth of capital.
- We try to outperform the benchmark over a full market cycle by investing in companies that we believe have the ability to improve their returns on equity (ROE) over time.
- This focus on improving returns involves identifying good businesses that are attractively priced relative to the market and that are benefiting from new market development, evolving capital structures, efficiency improvements, pricing power or a change in management incentives.
- The fund considers security valuations relative to peers, history and the benchmark as key screening criteria.
- The fund targets 70 to 100 holdings, the majority of which we believe to be "long-term winners," along with a much smaller "opportunistic" bucket composed of cyclical or event-related trading opportunities.

Q&A

An interview with Portfolio Manager Kirk Neureiter

Q: Kirk, how did the fund perform for the fiscal year ending October 31, 2023?

The fund's Retail Class shares gained 10.04%, trailing the 17.58% advance of the benchmark, the Tokyo Stock Price Index (TOPIX). The fund lagged its peer group average by a somewhat wider margin.

Q: What was noteworthy about the investment backdrop the past 12 months?

Japan joined with most other global stock markets in rallying this period, aided by a combination of solid corporate profits and the Bank of Japan's continued accommodative monetary policy. Additionally, November 2022 saw the arrival of the chatbot ChatGPT from OpenAI, which triggered a huge reaction from the global business community. Companies across virtually every industry immediately began discussing how to embrace the large language models used by generative-AI applications.

China's late-2022 decision to abandon its "zero-COVID" policy and aim for normalization of the economy also helped the Japanese stock market, as investors anticipated a rebound in tourism and commerce with Japan's economically powerful neighbor. With that said, the impact of China's reopening faded fairly rapidly, as the economy there failed to rebound as strongly as expected.

Easing inflationary pressure in the West, along with the perception that the U.S. Federal Reserve and several other key central banks were near the end of their aggressive rate-hike campaigns, were other factors fueling the rally in stocks this period.

One interesting development was the outperformance of Japan's banking industry. This was a result of the Bank of Japan's announcement of plans to gradually move toward normalization of interest rates. The BOJ has been virtually alone among major central banks in maintaining quantitative easing and rock-bottom rates, even as the Fed, the European Central Bank and a number of other central banks have aggressively raised rates the past couple of years.

Q: How did you respond to this backdrop?

I continued to look for high-quality growth companies whose stocks didn't fully reflect their prospects in a post-pandemic economic recovery. Two groups that I thought fit this mold particularly well were the commercial & professional services area within the industrials sector, and the software & services segment of information technology. The fund had sizable overweights in both cases.

Unfortunately, both industrials and information technology detracted from the fund's relative performance this period, as investors in Japan's equity market favored value stocks over growth stocks. Stock picking in the consumer discretionary sector also weighed on the fund's relative result the past 12 months.

Q: Which stocks notably detracted from the fund's performance versus the benchmark?

The largest individual relative detractor was an overweight in Persol Holdings, a provider of temporary and permanent staffing that returned -24% in the fund. This stock was part of the commercial & professional services segment I mentioned earlier. Fundamentally, I consider this company to be quite attractive, with recurring cash flow, healthy growth potential and a solid balance sheet. This period, though, concerns arose about a slowdown in the service segment of Japan's economy, and companies remained cautious about hiring higher-priced workers. I trimmed our share count a bit but maintained a meaningful overweight.

Avoiding Mitsubishi UFJ Financial Group (+83%) and Mizuho Financial Group (+62%), two of the three major banks in Japan, also hurt. The fund did hold an overweight position in the third member of this triumvirate – Sumitomo Mitsui Financial Group (+75%) – which topped our list of relative contributors for the period. My reasoning was that this was the best of the three lenders, with an attractive valuation and positioning that would enable it to benefit from higher interest rates if the Bank of Japan decided to go down that path. I also thought that the BOJ would likely pursue its yield-curve-control policies a while longer, so I considered it premature to go all-in on big bank stocks. However, I underestimated how quickly bank shares would react to even a whiff of plans to tighten monetary policy. I trimmed our stake in Sumitomo, but it was the fund's largest position as of October 31.

Another relative detractor was Olympus (-36%), the leading provider of endoscopes globally. During the period, the company received warning letters from the U.S. Food & Drug Administration about quality issues related to its endoscopes and endoscope accessories. According to the regulator, the company was noncompliant with current best practices in manufacturing requirements. I exited this position.

Q: What about noteworthy contributors?

Stock picking in materials and positioning in energy bolstered relative performance the past 12 months. Aside from Sumitomo Mitsui Financial Group, mentioned earlier, I'll highlight Renesas Electronics (+54%) as a positive driver of relative performance. As Japan's leading analog semiconductor maker, the company took market share in the industrial and automotive markets it serves. Solid execution and an inexpensive valuation worked in the stock's favor this period. I trimmed our stake, but Renesas was still the fund's fourth-largest overweight as of period end.

Inpex (+47%), one of only two energy exploration & production companies based in Japan, further lifted the fund's relative performance. Demand for crude oil and natural gas remained robust, despite plans by many nations to decrease reliance on fossil fuels and shift toward wind, solar and other environmentally friendly sources of power. Additionally, the shares saw a sharp rise in August when the company raised its full-year profit forecast and announced plans to boost its dividend and increase share repurchases. I reduced the fund's stake, although Inpex remained a top holding.

Q: What are your thoughts on the market environment as of October 31, Kirk?

While I acknowledge the potential for short-term risk from slowing global economic growth, especially in the U.S., I see long-term opportunity in the relatively attractive valuations of many stocks of high-quality Japanese companies. As long as the U.S. does not get hit with more than a mild economic slowdown, I'm optimistic about 2024 and beyond. ■

Portfolio Manager Kirk Neureiter on the possible impact of a yen rebound:

"The large decline in the value of the Japanese yen versus the U.S. dollar between the beginning of 2021 and October 31 of this year has been unprecedented in its speed and scale. The Bank of Japan's continued pursuit of easy monetary policy, via negative real interest rates and yield-curve control, combined with the U.S. Federal Reserve's more aggressive monetary policy in its attempt to rein in inflation, has meant a widening spread in real rates between the two nations.

"In October, the U.S. 10-year Treasury yield climbed to nearly 5%, while Japanese 10-year government bonds have been kept under 0.50% for an extended period of time – about one-tenth the rate of comparable U.S. securities. This unusually wide differential has favored U.S. dollar investments, which largely accounts for the recent dollar strength versus the yen.

"With that said, as of October 31, the rate of U.S. inflation has been cooling and yields there might have peaked. Meanwhile, Japan's inflation is showing signs of persistence, and the BOJ could be poised to normalize monetary policy by eliminating yield-curve control and raising its base interest rate. Tighter monetary policy in Japan should lead to a narrower real-rate differential between the two nations and more support for the yen versus the dollar.

"A stronger yen would be a tailwind for funds like this one that hold yen-based securities without hedging that exposure. Companies that would benefit from a stronger yen are those that have manufacturing based overseas, such as apparel retailer Fast Retailing, which has manufacturing operations across Asia, or companies whose raw material inputs are priced in U.S. dollars, such as refiner Eneos Holdings. Both stocks were new positions in the fund this period. Currency fluctuations are only one of many factors I consider when evaluating a stock, but they do factor into my deliberations, especially when extreme conditions present themselves."

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Sumitomo Mitsui Financial Group, Inc.	Financials	3.43%	152
Renesas Electronics Corp.	Information Technology	2.91%	79
INPEX Corp.	Energy	2.25%	70
Hitachi Ltd.	Industrials	2.48%	45
Kansai Electric Power Co., Inc.	Utilities	1.00%	44

** 1 basis point = 0.01%.*

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Persol Holdings Co. Ltd.	Industrials	2.09%	-101
Mitsubishi UFJ Financial Group, Inc.	Financials	-2.00%	-101
Olympus Corp.	Health Care	0.83%	-75
Relo Group, Inc.	Real Estate	1.20%	-66
Kakaku.com, Inc.	Communication Services	0.79%	-64

** 1 basis point = 0.01%.*

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
International Equities	98.86%	100.00%	-1.14%	1.78%
Developed Markets	98.28%	100.00%	-1.72%	1.60%
Emerging Markets	0.58%	0.00%	0.58%	0.18%
Tax-Advantaged Domiciles	0.00%	0.00%	0.00%	0.00%
Domestic Equities	0.23%	0.00%	0.23%	0.01%
Bonds	0.00%	0.00%	0.00%	0.00%
Cash & Net Other Assets	0.91%	0.00%	0.91%	-1.79%

Net Other Assets can include fund receivables, fund payables, and offsets to other derivative positions, as well as certain assets that do not fall into any of the portfolio composition categories. Depending on the extent to which the fund invests in derivatives and the number of positions that are held for future settlement, Net Other Assets can be a negative number.

"Tax-Advantaged Domiciles" represent countries whose tax policies may be favorable for company incorporation.

MARKET-SEGMENT DIVERSIFICATION

Market Segment	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Industrials	21.50%	23.89%	-2.39%	4.20%
Consumer Discretionary	18.70%	18.56%	0.14%	1.26%
Information Technology	17.15%	12.49%	4.66%	0.21%
Financials	14.37%	12.76%	1.61%	0.50%
Health Care	6.71%	7.49%	-0.78%	-1.43%
Materials	5.92%	5.93%	-0.01%	-1.55%
Communication Services	4.98%	7.34%	-2.36%	-0.28%
Consumer Staples	4.00%	7.07%	-3.07%	-0.84%
Energy	3.26%	0.94%	2.32%	0.21%
Utilities	1.54%	1.47%	0.07%	0.09%
Real Estate	0.96%	2.06%	-1.10%	-0.58%
Other	0.00%	0.00%	0.00%	0.00%

COUNTRY DIVERSIFICATION

Country	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Japan	98.17%	100.00%	-1.83%	-0.31%
Other Countries	0.94%	N/A	N/A	N/A
Cash & Net Other Assets	0.89%	0.00%	0.89%	0.09%

10 LARGEST HOLDINGS

Holding	Market Segment	Portfolio Weight	Portfolio Weight Six Months Ago
Sumitomo Mitsui Financial Group, Inc.	Financials	5.71%	4.62%
Sony Group Corp.	Consumer Discretionary	4.43%	4.74%
Hitachi Ltd.	Industrials	3.96%	3.73%
ORIX Corp.	Financials	3.39%	3.23%
DENSO Corp.	Consumer Discretionary	3.29%	3.31%
Tokio Marine Holdings, Inc.	Financials	3.21%	2.83%
Renesas Electronics Corp.	Information Technology	3.06%	3.20%
Hoya Corp.	Health Care	2.97%	3.85%
INPEX Corp.	Energy	2.76%	2.53%
Shin-Etsu Chemical Co. Ltd.	Materials	2.57%	2.56%
10 Largest Holdings as a % of Net Assets		**35.36%**	**34.60%**
Total Number of Holdings		**91**	**86**

The 10 largest holdings are as of the end of the reporting period, and may not be representative of the fund's current or future investments. Holdings do not include money market investments.

FISCAL PERFORMANCE SUMMARY: Periods ending October 31, 2023

	Cumulative		Annualized			
	6 Month	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year/ LOF[1]**
Fidelity Japan Fund Gross Expense Ratio: 1.13%[2]	-4.73%	1.94%	10.04%	-1.73%	3.60%	3.95%
TOPIX Total Return Index	-0.42%	6.24%	17.58%	1.94%	2.89%	4.36%
Morningstar Fund Japan Stock	2.58%	10.51%	19.19%	3.92%	3.74%	5.16%
% Rank in Morningstar Category (1% = Best)	--	--	90%	74%	22%	56%
# of Funds in Morningstar Category	--	--	37	33	31	22

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 09/15/1992.
[2] This expense ratio is from the prospectus in effect as of the date shown above and generally is based on amounts incurred during that fiscal year, or estimated amounts for the current fiscal year in the case of a newly launched fund. It does not include any fee waivers or reimbursements, which would be reflected in the fund's net expense ratio.

Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance stated. Performance shown is that of the fund's Retail Class shares (if multiclass). You may own another share class of the fund with a different expense structure and, thus, have different returns. To learn more or to obtain the most recent month-end or other share-class performance, visit fidelity.com/performance, institutional. fidelity.com, or 401k.com. Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any. Cumulative total returns are reported as of the period indicated. **Please see the last page(s) of this Q&A document for most-recent calendar-quarter performance.**

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FUND RISKS

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. The risks are particularly significant for funds that focus on a single country or region.

IMPORTANT FUND INFORMATION

Relative positioning data presented in this commentary is based on the fund's primary benchmark (index) unless a secondary benchmark is provided to assess performance.

INDICES

It is not possible to invest directly in an index. All indices represented are unmanaged. All indices include reinvestment of dividends and interest income unless otherwise noted.

Tokyo Stock Price Index (TOPIX) is a market-capitalization-weighted index of the common stock of the large companies that make up the First Section of the Tokyo Stock Exchange.

MSCI ACWI (All Country World Index) ex USA Index is a market-capitalization-weighted index that is designed to measure the investable equity market performance for global investors of developed and emerging markets, excluding the United States.

MARKET-SEGMENT WEIGHTS

Market-segment weights illustrate examples of sectors or industries in which the fund may invest, and may not be representative of the fund's current or future investments. They should not be construed or used as a recommendation for any sector or industry.

RANKING INFORMATION

% Rank in Morningstar Category is the fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1%. % Rank in Morningstar Category is based on total returns which include reinvested dividends and capital gains, if any, and exclude sales charges. Multiple share classes of a fund have a common portfolio but impose different expense structures.

RELATIVE WEIGHTS

Relative weights represents the % of fund assets in a particular market segment, asset class or credit quality relative to the benchmark. A positive number represents an overweight, and a negative number is an underweight. The fund's benchmark is listed immediately under the fund name in the Performance Summary.

Manager Facts

Kirk Neureiter is a portfolio manager in the Equity division at Fidelity Investments. Fidelity Investments is a leading provider of investment management, retirement planning, portfolio guidance, brokerage, benefits outsourcing, and other financial products and services to institutions, financial intermediaries, and individuals.

In this role, Mr. Neureiter is primarily responsible for managing Fidelity Japan Fund and co-managing the Fidelity Pacific Basin Fund. He also serves as the president of Fidelity Management & Research Company's office in Japan.

Prior to assuming his current role, Mr. Neureiter worked as a research analyst at Fidelity from 2008 to 2014, where he was primarily responsible for identifying investment opportunities within the top 500 names by market cap for all Fidelity group companies. His previous positions with Fidelity include that of portfolio manager at Fidelity International (Japan) Limited from 2003 to 2008, director of Japan research from 2000 to 2003, associate director of research from 1999 to 2000, research analyst from 1997 to 2000, and research associate for Fidelity Investments Japan starting in 1994.

Before joining Fidelity, Mr. Neureiter worked for Sony Corporation in the consumer products planning and administration group in Tokyo. He has been in the financial industry since 1994.

Mr. Neureiter earned his bachelor of arts degree from the College of Wooster.

PERFORMANCE SUMMARY: Quarter ending March 31, 2024

	Annualized			
	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Fidelity Japan Fund Gross Expense Ratio: 0.87%[2]	14.10%	-0.75%	7.18%	6.41%
% Rank in Morningstar Category (1% = Best)	86%	81%	39%	53%
# of Funds in Morningstar Category	37	34	32	23

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 09/15/1992.

[2] This expense ratio is from the prospectus in effect as of the date shown above and generally is based on amounts incurred during that fiscal year, or estimated amounts for the current fiscal year in the case of a newly launched fund. It does not include any fee waivers or reimbursements, which would be reflected in the fund's net expense ratio.

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Fidelity INVESTMENTS

Before investing in any mutual fund, please carefully consider the investment objectives, risks, charges, and expenses. For this and other information, call or write Fidelity for a free prospectus or, if available, a summary prospectus. Read it carefully before you invest.

Past performance is no guarantee of future results.

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Diversification does not ensure a profit or guarantee against a loss.

Information included on this page is as of the most recent calendar quarter.

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